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

If you have sold or transferred all your shares of Ev Dynamics (Holdings) Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or to the bank or stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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EvDynamics

Ev Dynamics (Holdings) Limited

科軒動力（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 476)

PROPOSED ISSUE OF CONVERTIBLE NOTES AND NOTICE OF SPECIAL GENERAL MEETING

A notice convening the special general meeting (“SGM”) of Ev Dynamics (Holdings) Limited (the “Company”) to be held at 24th Floor, Admiralty Centre 1, 18 Harcourt Road, Hong Kong on Thursday, 8 December 2022 at 3:00 p.m. is set out on pages 36 to 38 in this circular. A proxy form for use by the Shareholders at the SGM is enclosed with this circular. If you are not able to attend the SGM in person, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon to the Company’s Hong Kong branch share registrar, Tricor Tengis Limited, at 17th Floor, 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 SGM. Completion and delivery of the proxy form will not preclude you from attending and voting in person at the SGM should you so wish.

18 November 2022

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DEFINITIONS

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

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| “ACP” | Advance Capital Partners Pte. Ltd., a company incorporated in Singapore, being the authorised representative of AOF and the appointed recipient of the administrative fee under the New Subscription Agreement by the Subscribers |
| “AOF” | Advance Opportunities Fund, a proprietary fund established in the Cayman Islands |
| “AOF I” | Advance Opportunities Fund I, an open-ended fund incorporated as an exempted company with limited liability in the Cayman Islands |
| “Board” | the board of Directors |
| “Business Day” | means a day on which banks are open for business in Hong Kong and the Stock Exchange is open for trading, ending at 5:00 p.m. (Hong Kong time) |
| “Closing Date” | in respect of each sub-tranche of the Convertible Notes, the date on which such sub-tranche of the Convertible Notes is subscribed for and issued pursuant to the New Subscription Agreement |
| “Company” or the “Issuer” | Ev Dynamics (Holdings) Limited, a company incorporated under the laws of Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 476) |
| “connected person(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Conversion Date” | the date on which the emailed conversion notice is received by the Company (or the next Business Day if the conversion notice is received by the Company after 3:30 p.m. Hong Kong time) where a Noteholder elects to exercise the Conversion Right |
| “Conversion Price” | the price at which the Convertible Notes are converted into Conversion Shares |
| “Conversion Right” | the right of a Noteholder to convert any Convertible Notes |

DEFINITIONS

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| “Conversion Shares” | the new Shares to be allotted and issued by the Company upon conversion of the Convertible Notes in accordance with the New Subscription Agreement and the terms and conditions of the Convertible Notes |
| “Convertible Notes” | 2% redeemable convertible notes due 2024 with an aggregate nominal value of up to HK\$200 million and convertible into Shares to be issued by the Company pursuant to the New Subscription Agreement |
| “Director(s)” | the director(s) of the Company |
| “Fulfillment Date” | the date falling three (3) calendar months from the date of the New Subscription Agreement, or such other date as the parties may agree in writing |
| “Glauberite Mine” | a glauberite mine located in the Guangxi Zhuang Autonomous Region of the PRC operated by the Group |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Latest Practicable Date” | 15 November 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Majority Noteholders” | the Noteholders in aggregate representing more than 50% of the total outstanding nominal value of the Convertible Notes at any time, and a “Majority Noteholder” shall be construed accordingly |
| “Net Worth” | the consolidated net asset value of the Company as shown in the audited consolidated accounts of the Company for the year ended 31 March 2022 and thereafter the most recent unaudited interim accounts of the Company as published on the Stock Exchange |
| “New Subscription Agreement” | the subscription agreement dated 20 October 2022 entered into between the Company and the Subscribers in relation to the Subscription |

DEFINITIONS

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| “Noteholder(s)” | holder(s) of the Convertible Notes |
| “Note Issue Price” | the amount equivalent to 100% of the principal amount of each sub-tranche of the Convertible Notes |
| “Previous Subscription Agreement” | the subscription agreement dated 14 June 2022 (as amended and restated by a supplemental agreement dated 18 July 2022) entered into between the Company and the Subscribers in relation to the subscription of convertible notes |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “SGM” | the special general meeting of the Company to be convened and held for the purposes of, among other things, approving the New Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the relevant Conversion Shares upon the exercise of the Conversion Right in respect of the Convertible Notes |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Specific Mandate” | the specific mandate to be sought from the Shareholders at the special general meeting of the Company to be convened and held for the purpose of approving and to grant to the Board the authority for the allotment and issue of the Convertible Notes |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscribers” | AOF and AOF I |
| “Subscription” | the subscription of the Convertible Notes by the Subscribers pursuant to the New Subscription Agreement |
| “Subsidiary(ies)” | shall have the meaning ascribed to it in the Listing Rules |
| “Termination Agreement” | the termination agreement dated 20 October 2022 entered into between the Company and the Subscribers in relation to the termination of the Previous Subscription Agreement |
| “US\$” | United States dollars, the lawful currency of the United States of America |
| “VWAP” | volume-weighted average price |
| “%” | per cent |

PRECAUTIONARY MEASURES FOR THE SGM

To safeguard the health and safety of attending Shareholders and proxies and to reduce the risk of COVID-19 spreading, the following precautionary measures will be taken at the SGM:

- (i) compulsory body temperature check;
- (ii) mandatory wearing of surgical face mask throughout the SGM;
- (iii) scanning the “LeaveHomeSafe” venue QR Code;
- (iv) no provision of gifts, food or beverages; and
- (v) seats at the SGM venue will be arranged to ensure appropriate social distancing. As a result, there will be limited capacity for attendees. Seats will be limited at the meeting and will be available on a first-come-first-served basis.

Any person who (1) is having a body temperature of over 37.3 degree Celsius; (2) is subject to mandatory quarantine order imposed by the Hong Kong Government on the SGM date or has close contact with any person under quarantine; (3) has any flu-like symptoms or is otherwise unwell; or (4) does not comply with the above precautionary measures, will be denied entry into the meeting venue at the absolute discretion of the Company so as to ensure the health and safety of the attendees of the SGM.

Shareholders are strongly encouraged to appoint the Chairman of the SGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the SGM in person.

Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement(s) on such measures as appropriate.

If Shareholders have any questions relating to the SGM, please contact Tricor Tengis Limited, the Company’s Hong Kong branch share registrar at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

LETTER FROM THE BOARD



EvDynamics

Ev Dynamics (Holdings) Limited

科軒動力（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 476)

Executive Directors:

Mr. Cheung Ngan (*Chairman*)

Mr. Miguel Valldecabres Polop (*Chief Executive Officer*)

Ms. Chan Hoi Ying

Independent Non-Executive Directors:

Mr. Chan Francis Ping Kuen

Mr. Lee Kwok Leung

Dato' Tan Yee Boon

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head Office and

Principal Place of Business:

46th Floor

United Asia Finance Centre

333 Lockhart Road

Wanchai

Hong Kong

18 November 2022

To the Shareholders

Dear Sir or Madam,

PROPOSED ISSUE OF CONVERTIBLE NOTES AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

On 20 October 2022 (after trading hours), the Company entered into the New Subscription Agreement with the Subscribers pursuant to which the Subscribers have conditionally agreed to subscribe and the Company has conditionally agreed to issue the Convertible Notes with an aggregate nominal value up to HK\$200 million at the Note Issue Price.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details regarding the New Subscription Agreement and the transactions contemplated thereunder, including the proposed issue of the Convertible Notes and the allotment and issue of the Conversion Shares; and (ii) the notice of the SGM.

PRINCIPAL TERMS OF THE NEW SUBSCRIPTION AGREEMENT

The principal terms of the New Subscription Agreement are summarised as follows:

Date

20 October 2022

Parties

Issuer: The Company

Subscribers: AOF and AOF I

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Subscribers and their ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Securities to be issued

The Convertible Notes, being 2% redeemable convertible notes convertible into the Shares with an aggregate nominal value of up to HK\$200 million. The Convertible Notes comprise one tranche with an aggregate nominal value of HK\$200 million with 40 equal sub-tranches of HK\$5 million each.

Issue and subscription of the Convertible Notes

The Company agreed to issue and the Subscribers agreed to subscribe for Convertible Notes at the Note Issue Price (being the amount equivalent to 100% of the principal amount of each sub-tranche of the Convertible Notes) subject to the terms and conditions of the New Subscription Agreement.

The first five (5) sub-tranches of Convertible Notes shall be issued and subscribed for on the fifth Business Day immediately after the last of the conditions precedent in respect of Convertible Notes is fulfilled (or such later date as the parties may agree in writing). The subsequent sub-tranches of Convertible Notes shall be issued and subscribed for on or before the fifth Business Day after the Conversion Date in respect of the last of the Convertible Notes comprised in the immediately preceding sub-tranche of Convertible Notes (or such later date as the parties may agree in writing).

LETTER FROM THE BOARD

Notwithstanding the above, the parties agreed that in respect of each subsequent sub-tranche of Convertible Notes (other than the first five (5) sub-tranches of Convertible Notes), the Subscribers shall be entitled at any time prior to full conversion of the preceding sub-tranche (at their election) to subscribe for each such subsequent sub-tranche (notwithstanding the last Convertible Note comprised in the immediately preceding sub-tranche has yet to be converted) by jointly issuing a notice of allocation between Subscribers to the Company in respect of such sub-tranches, provided always that the aggregate principal amount of the outstanding Convertible Notes that the Subscribers may hold at one time shall not exceed HK\$25,000,000. The Company shall be obliged to issue each such sub-tranche on or before the fifth Business Day on receipt of such written request issued by the Subscribers or such other date as the parties may mutually agree in writing.

The Company shall have the right to suspend any further issuance of any sub-tranche of Convertible Notes if the Maximum Conversion Shares (subject to adjustment in the event of stock splits, consolidation and/or re-classification of the Shares) following the Subscribers' exercise of Conversion Rights of Convertible Notes; and in the event the Company exercises its suspension right, any unsubscribed sub-tranches of Convertible Notes shall lapse and the Company shall not be obliged to issue, and the Subscribers shall not be obliged to subscribe and pay for, such unsubscribed sub-tranches of Convertible Notes.

Maximum Subscribers Shares

Pursuant to the New Subscription Agreement, each of the Subscribers agreed whether individually or together with any other person that, directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with it/them, to not hold more than 10% of the Company's total shareholding at any point in time and from time to time (the "Maximum Subscribers Shares") without prior written approval of the Company.

For illustration purpose, as at the date of the New Subscription Agreement, there are 9,009,678,975 ordinary shares issued by the Company, hence 900,967,897 Conversion Shares shall be the maximum number of Conversion Shares which may be issued and held by the Subscribers at any point of time and from time to time unless otherwise increased pursuant to the terms of the New Subscription Agreement.

In the event of stock splits, consolidation and/or reclassification of the Shares, the Maximum Subscribers Shares may be adjusted, subject to (i) mutual agreement in writing between the Subscribers and the Company; (ii) receipt of all necessary regulatory approval including but not limited to approval from the Stock Exchange; and (iii) receipt of Shareholders' approval.

Maximum Conversion Shares

The maximum number of Conversion Shares convertible under the Convertible Notes shall be 1,800,000,000 Conversion Shares (or such other number as the Company and the Subscribers may agree in writing) ("Maximum Conversion Shares"), representing approximately 19.98% of the issued share capital of the Company as at the Latest Practicable Date and approximately 16.65% of the issued share capital of the Company as enlarged by the issue of the Maximum Conversion Shares upon conversion of the Convertible Notes, which may be issued pursuant to the exercise of Conversion Right in respect of any sub-tranches of the Convertible Notes pursuant to the New Subscription Agreement.

LETTER FROM THE BOARD

The Maximum Conversion Shares shall be subject to adjustments in the event of stock splits, consolidation and/or re-classification of the Shares. Please refer to “Adjustment to Conversion Downside Price” on page 18 in this circular for the details of the adjustments in the event of stock splits, consolidation and/or re-classification of the Shares. The Maximum Conversion Shares may be adjusted, subject to (i) mutual agreement in writing between the parties; (ii) receipt of all necessary regulatory approval including but not limited to approval from the Stock Exchange; and (iii) receipt of Shareholders’ approval.

In the event the Maximum Conversion Shares have been fully issued, and there remains immediately thereafter unsubscribed sub-tranches of Convertible Notes, the Company shall not be obliged to issue, nor shall the Subscribers be obliged to subscribe and pay for any such unsubscribed sub-tranches of Convertible Notes and which shall be deemed to lapse.

Conditions precedent to the completion of the Convertible Notes

The completion of the Convertible Notes is subject to the following conditions:

- (a) on the date of the New Subscription Agreement, there shall have been delivered to the Subscribers, a list setting out the names of the substantial shareholders of the Company (as defined under the Listing Rules) dated the date of the New Subscription Agreement, in such form and substance reasonably satisfactory to the Subscribers, which is certified to be true and accurate as at that date;
- (b) the Company shall within two Business Days from the publication on the Stock Exchange, serve to the Subscribers via electronic communications, a copy of the circular issued by the Company in regards to seeking Shareholders’ approval for the issuance of Convertible Notes and allotment and issue of the Conversion Shares in accordance with the terms of the New Subscription Agreement;
- (c) the Stock Exchange having granted or agreed to grant the listing of and permission to deal in the Conversion Shares in respect of the Convertible Notes and such approval and permission not subsequently being revoked or withdrawn on or before each of the Closing Date of the Convertible Notes;
- (d) (i) all the representations, warranties, undertakings and covenants of the Company including the warranties shall be accurate and correct in all respects at, and as if made on, the Closing Date of Convertible Notes; (ii) the Company shall have performed all of its undertakings or obligations hereunder to be performed on or before the Closing Date of Convertible Notes; and (iii) there shall have been delivered to the Subscribers a certificate, dated as at the Closing Date of the first five (5) sub-tranches of Convertible Notes, certified to be true and correct by two directors or a director with the company secretary of the Company, to such effect;

LETTER FROM THE BOARD

- (e) all other necessary approvals, consents and waivers (including any governmental, regulatory and/or corporate approvals and consents), for the transactions contemplated under the New Subscription Agreement (in particular but without limitation the issue by the Company and the subscription by the Subscribers of the Convertible Notes, including any Shareholders or directors' approval and other regulatory and/or corporate approvals and consents required by the Subscribers) having been obtained in form and substance satisfactory to the Subscribers (in the reasonable opinion of the Subscribers) and remaining valid and subsisting as at the Closing Date of the Convertible Notes; and
- (f) there shall have been delivered to the Subscribers, each in form and substance satisfactory to the Subscribers certified on or dated, as the case may be, on the Closing Date of the first five (5) sub-tranches of Convertible Notes:
 - (i) the documents as listed in the New Subscription Agreement, including but not limited to the annual reports, list of indebtedness and shareholding structure of the Company;
 - (ii) a legal opinion from the legal adviser of the Company in relation to Hong Kong laws, as shall be acceptable to the Subscribers;
 - (iii) certified true copies of (1) the resolutions of the directors of the Company; and (2) the listing approval from the Stock Exchange (all duly certified by a director or a company secretary of the Company), approving the issue of the Convertible Notes and the allotment and issue of the Conversion Shares in respect of the Convertible Notes in accordance with the terms of the New Subscription Agreement;
 - (iv) certified true copies of the relevant approvals (all duly certified by a director or a company secretary of the Company); and
 - (v) such other documents, opinions and certificates as the Subscribers may reasonably require in relation to the Convertible Notes issuance.

The Subscribers may at its discretion jointly waive compliance with the whole or any part of the above conditions which are capable of being waived at any time, provided always that any such waiver as aforesaid shall be without prejudice to the Subscribers' right to elect to treat any further or other such breach, failure or event as releasing and discharging it from its obligations to subscribe for the Convertible Notes as aforesaid.

For the avoidance of doubt, conditions (b), (c), (d), (e) and (f) above are not capable of being waived.

If any of the conditions precedent above are not satisfied or jointly waived by the Subscribers, if capable of being waived, on or before the Fulfilment Date, the Subscribers shall inform the Company of the unfulfillment of the conditions precedents in writing and the New Subscription Agreement shall cease and the parties shall be released and discharged from their respective obligations thereunder except for (a) the liability of the Company for the payment of relevant costs and expenses; (b) the indemnity obligations of the Company; and (c) any antecedent breaches.

LETTER FROM THE BOARD

Representations, warranties, undertakings and covenants by the Company

Pursuant to the New Subscription Agreement, the Company represents, warrants, undertakes and covenants to and with the Subscribers among other things that:

- (i) each of the representations, warranties, undertakings and covenants stated in the New Subscription Agreement is true, accurate and not misleading;
- (ii) it has full power, authority and capacity to enter into and perform the New Subscription Agreement and the New Subscription Agreement will, when executed, constitute its valid and legally binding obligations enforceable in accordance with its terms;
- (iii) the Convertible Notes shall be offered and issued to the Subscribers in compliance with the Companies Act 1981 of Bermuda as modified or supplemented from time to time, the Listing Rules and all other applicable laws and regulations;
- (iv) all applicable provisions of the laws and the Listing Rules relating to (i) the offer or sale, or invitation for subscription or purchase, and the issue, of the Notes; and (ii) the exercise of the Conversion Rights, on the terms of the New Subscription Agreement and the Conditions have been duly complied with;
- (v) it shall in any event no later than the Fulfilment Date, use its reasonable endeavour to obtain approvals of the (i) Board; and (ii) Shareholders at the SGM for:
 - (a) the subscription or issue of the Convertible Notes;
 - (b) the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights in respect of the Convertible Notes up to the number of Maximum Conversion Shares; and
 - (c) all other matters thereto and in connection therewith, do all such acts and things and execute and file all such document as may be required;
- (vi) it shall, no later than the Fulfilment Date, obtain all necessary approvals, consents and/or waivers (as the case may be) of all requisite regulatory authorities (including the Stock Exchange) in respect of:
 - (a) the subscription or issue of the Convertible Notes;
 - (b) the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights in respect of the Convertible Notes;
 - (c) the listing of and permission to deal in, the Conversion Shares following the conversion of Convertible Notes on the Stock Exchange; and
 - (d) such other matters thereto and in connection therewith.

LETTER FROM THE BOARD

Representations and warranties by the Subscribers

Each of the Subscribers agree among other things that there will be no conversion of the Convertible Notes by the Subscribers (i) to transfer a controlling interest in the Company such that the Subscribers becomes a controlling shareholder of the Company within the ambit of the Listing Rules without the prior approval of the Shareholders at a general meeting; (ii) they shall not hold more than 30% interest (or such other amount as may from time to time be specified in the Codes on Takeovers and Mergers and Share Buy-Backs of Hong Kong as being the level that would trigger a mandatory general offer) in the total number of issued shares (and/or voting power at general meetings) of the Company, at any time and from time to time without the prior approval of the Company; and (iii) such that the Company will be in breach of the minimum public float requirement stipulated under Rule 8.08 of the Listing Rules.

Termination

The Subscribers may by notice in writing to the Company, terminate the New Subscription Agreement at any time before the time on the relevant Closing Date when payment by the Subscribers would otherwise be due, in any of the following circumstances:

- (i) the Maximum Conversion Shares have been fully issued; or
- (ii) there shall have come to the notice of the Subscribers any breach of, or any event rendering untrue or incorrect in any material respect, any of the representations, warranties, undertakings and covenants set forth in the New Subscription Agreement including any of the warranties or the failure to perform any of the Company's undertakings or obligations under the New Subscription Agreement; or
- (iii) if any of the conditions precedent specified above has not been satisfied to the satisfaction of the Subscribers (acting reasonably) or waived by the Subscribers, as the case may be; or
- (iv) for failure to delivery required documents to the Subscribers and/or failure to fulfil the conditions precedents set out above; or
- (v) if:
 - (a) there shall have been any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations, or affecting the properties, of the Company or any of its Subsidiaries and which materially and adversely affects the Company or the Company and its Subsidiaries, taken as a whole, to perform its obligations under the New Subscription Agreement and the Convertible Notes; or

LETTER FROM THE BOARD

- (b) there shall have been an imposition of a new legal or regulatory restriction (in each case, whether or not having the force of law but, if not having the force of law, compliance with which is in accordance with the general practice of persons to whom the directive is addressed) not in effect on the date hereof, or any change in the interpretation of existing legal or regulatory restrictions (in each case, whether or not having the force of law but, if not having the force of law, compliance with which is in accordance with the general practice of persons to whom the directive is addressed), that materially and adversely affects the ability of the Company or the Company and its Subsidiaries, taken as a whole, to perform its obligations under the New Subscription Agreement, or the offering, sale or delivery of the Convertible Notes or the Conversion Shares which in the Subscribers' reasonable opinion would not be acceptable. The Subscribers may waive this clause at its sole discretion; or
- (vi) an event of default shall have occurred in respect of any notes, debentures, bonds or other similar securities of the Company or any Subsidiary issued and outstanding and/or has affected the Company's ability to comply with its obligations under the New Subscription Agreement; or
- (vii) there shall have been a suspension of, or material limitation of, trading of any shares of the Company by the Main Board of the Stock Exchange for five (5) consecutive Business Days save for suspension caused by administrative or technical error not due to the Company or trading halts made at the request of the Company for corporate announcement(s) or circular(s) pending clearance by the Stock Exchange or other regulatory or governmental bodies; or
- (viii) there shall have been a delisting or an order for delisting or a threatened delisting of the Company from the Main Board of the Stock Exchange; or
- (ix) an event of default under the New Subscription Agreement has occurred and is continuing; or
- (x) any of the approvals, consents or waivers obtained by the Company are amended, withdrawn, revoked, rescinded or cancelled prior to the relevant Closing Date for each sub-tranche of the Convertible Notes (other than the first five (5) sub-tranches of Convertible Notes) or, where any of such approvals, consents or waivers were obtained subject to any conditions which were required to be fulfilled on or before each such applicable Closing Date, they were not fulfilled; or
- (xi) there is a default in any payment by the Company pursuant to the terms and conditions of the Convertible Notes and such default is not remedied by the Company within seven (7) Business Days from the due date of such payment.

Cancellation fee

A cancellation fee of US\$50,000 is payable to each Subscriber in the event that the New Subscription Agreement is terminated for any reason whatsoever prior to the Closing Date of the first five (5) sub-tranches of Convertible Notes, except in a case where the necessary authority's approvals, consents and waivers for the transactions contemplated under the New Subscription Agreement are not obtained prior to the Closing Date of the first five (5) sub-tranches of Convertible Notes.

LETTER FROM THE BOARD

Administration fee

An administration fee of 6% of the aggregate nominal value subscribed of each sub-tranche of the Convertible Notes is payable to ACP, or such other party as may be jointly notified by the Subscribers on each Closing Date of each sub-tranche of the Convertible Notes. The fee shall be deducted by the Subscribers directly from the subscription moneys payable to the Company for the subscription of each sub-tranche of the Convertible Notes.

Application for listing

No application will be made by the Company for the listing of the Convertible Notes on the Stock Exchange. The Company shall make an application to the Stock Exchange for the listing of, and the permission to deal in, the Maximum Conversion Shares.

PRINCIPAL TERMS OF THE CONVERTIBLE NOTES

| | | |
|-------------------------|---|---|
| Securities | : | 2% redeemable convertible notes convertible into common shares of the Company. |
| Principal amount | : | The principal amount of the Convertible Notes consists of an aggregate nominal value of up to HK\$200 million comprising 40 equal sub-tranches of HK\$5 million each. |
| Maturity date | : | The date falling twenty-four (24) months from the closing date of the first sub-tranche of Convertible Notes. |
| Interest | : | 2% per annum, payable semi-annually in cash in arrears on 30 June and 31 December in each year. |
| Conversion terms | : | The Convertible Notes must be converted into Shares. |

The Subscriber has the discretion anytime from and including the respective issuance and registration of the tranches up to the close of business on the day falling seven (7) calendar days prior to the Maturity Date, to decide on the dates to convert the Convertible Notes, provided that (i) the number of Maximum Conversion Shares available for conversion have not been reached; or (ii) there has been no occurrence of any event of default.

In the event the Maximum Conversion Shares have been reached, the Noteholder shall issue a written notice to the Company (the "Redemption Notice") and the Company shall redeem the outstanding Convertible Notes that are not capable of being converted in cash at 115% of its nominal value, which shall be paid to the Noteholder within five (5) Business Days of the Company's receipt of the Redemption Notice.

LETTER FROM THE BOARD

- Conversion Price** : The Convertible Notes shall be converted into new Shares at the discretion of the Subscriber at 90% of the average of the closing prices per Share on any 3 consecutive Business Days during the 30 Business Days immediately preceding the relevant conversion date of the Convertible Notes (the “Conversion Price”), provided always among other things that:
- (i) the closing price per Share shall be referenced to the adjustment as set out in “Adjustment to Conversion Downside Price” below;
 - (ii) the Conversion Shares when issued pursuant to the conversion of any Convertible Notes at the Conversion Price does not on an-as converted basis result in a theoretical dilution of more than 25% of the enlarged share capital of the Company in accordance with Rule 7.27B of the Listing Rules; and
 - (iii) the Conversion Price for any Convertible Notes calculated in accordance with the above shall in no event be below HK\$0.01, otherwise, the Company shall:
 - (a) subject to the Maximum Conversion Shares, allot and issue to the Noteholder the number of Conversion Shares equivalent to:

$$(N \times FV) / PV$$

where:

“N” is the number of Convertible Notes presented for conversion;

“FV” is the nominal value of each Convertible Note presented for conversion; and

“PV” is the par value of the Shares.

LETTER FROM THE BOARD

and

- (b) pay the Noteholder in cash an amount equivalent to:

$$[(N \times FV) / CP - (N \times FV) / PV] \times C$$

where:

“N” is the number of Convertible Notes presented for conversion;

“FV” is the nominal value of each Convertible Note presented for conversion;

“CP” is the Conversion Price;

“PV” is the par value of the Shares; and

“C” is the closing price of the Shares on the date of conversion.

For illustrative purpose,

- (i) on the basis that (1) the Company issues and the Subscribers subscribe for the whole Convertible Notes in the aggregate nominal value of HK\$200 million; and (2) such Convertible Notes are fully converted to the Maximum Conversion Shares at the Conversion Price of approximately HK\$0.1111 per Share (being HK\$200 million divided by the Maximum Conversion Shares of 1,800,000,000 Conversion Shares), the conversion price represents a premium of approximately 208.61% to the closing price of HK\$0.036 per Share as quoted on the Stock Exchange as at the date of the New Subscription Agreement;

LETTER FROM THE BOARD

- (ii) on the basis that (1) the Company issues and the Subscribers subscribe for the whole Convertible Notes in the aggregate nominal value of HK\$200 million; and (2) such Convertible Notes are fully converted to 1,800,000,000 Conversion Shares (being limited to the Maximum Conversion Shares) at the Conversion Price of HK\$0.0293 per Share (representing 90% of the average of the closing prices per Share from 5 September 2022 to 7 September 2022, being the lowest average of the closing prices of the 3 consecutive Business Days during the 30 Business Days immediately preceding the date of the New Subscription Agreement), the conversion price represents a discount of approximately 18.61% to the closing price of HK\$0.036 per Share as quoted on the Stock Exchange as at the date of the New Subscription Agreement; and
- (iii) on the basis that (1) the Company issues and the Subscribers subscribe for the Convertible Notes in the aggregate nominal value of HK\$25,000,000 (being limited to the aggregate principal amount of the outstanding Convertible Notes that the Subscribers may hold at one time shall not exceed HK\$25,000,000); (2) such Convertible Notes are presented by the Subscribers for conversion at a Conversion Price of HK\$0.009 (being 90% of the assumed closing price of the Shares at the date of the conversion of HK\$0.010 per Share, which is below par value of the Shares and represents a discount of approximately 75.00% to the closing price of HK\$0.036 per Share as quoted on the Stock Exchange as at the date of the New Subscription Agreement); and (3) the closing price of the Shares as at the date of such conversion is HK\$0.010 per Share, the Company shall issue to the Noteholder 2,777,777,778 Conversion Shares and pay the Noteholder in cash an amount equivalent to HK\$2,777,778 based on the formulas above.

Notwithstanding to the above, pursuant to the New Subscription Agreement, as (a) the issue of Conversion Shares is limited to the Maximum Conversion Shares of 1,800,000,000 Conversion Shares; (b) the issue price of the Conversion Shares shall in no event be below the par value of HK\$0.01, the value of the Conversion Shares to be issued by the Company to the Noteholder shall be HK\$18,000,000, accordingly the maximum amount to be paid by the Company in cash to the Noteholder for the condition (iii) above pursuant to the New Subscription Agreement shall be HK\$7,000,000, representing the difference of the nominal value of the Convertible Notes presented by the Noteholder and the respective value of the Conversion Shares to be issued by the Company.

LETTER FROM THE BOARD

Conversion Shares : The Maximum Conversion Shares is 1,800,000,000 Conversion Shares, representing approximately 19.98% of the issued share capital of the Company as at the Latest Practicable Date and approximately 16.65% of the issued share capital of the Company as enlarged by the issue of the Maximum Conversion Shares upon conversion of the Convertible Notes.

Rights of Noteholders to participate in securities of the Company : The Company may offer and sell any new Shares provided among other things that, in respect of any proposed private placement over 20% of such new Shares, the Company shall offer and sell such new Shares on the same terms and conditions to the Noteholders prior to offering such new Shares to any other person.

The Company or any Subsidiary (if applicable) may offer and sell any securities convertible into securities of the same class as the Shares or securities substantially similar to the Convertible Notes (the “Equity-linked Securities”) provided that the Company shall, and the relevant Subsidiary (if applicable) shall, offer and sell such Equity-linked Securities to the Noteholders prior to offering such Equity-linked Securities to any other person; and the Equity-linked Securities shall not be convertible into Shares at a price which is below its par value, unless prior written consent of the Noteholders have been obtained.

Redemption option : The Issuer may redeem the Convertible Notes presented for conversion in cash at the redemption amount, if the Conversion Price is less than or equal to 65% of the average daily traded VWAP per share for the 45 consecutive Business Days period prior to the relevant closing date of the first sub-tranche of the Convertible Notes (the “Conversion Downside Price”), where the VWAP is determined by calculating the summation of the value of each transaction (i.e. price multiplied by number of shares traded) and then dividing it by the total shares traded for the day.

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The redemption amount is calculated according to the following formula:

$$N \times \{P + [8\% \times P \times (D / 365)] + I\}$$

where:

“D” is the amount of days elapsed since the respective Closing Date;

“N” is the number of Convertible Notes presented for conversion;

“P” is the nominal value of each Convertible Note presented for conversion; and

“I” is the remaining unpaid interest accrued on the Convertible Notes presented for conversion.

**Adjustment to
Conversion Downside
Price**

: The Conversion Downside Price will be subject to adjustments if the Company shall:

- (a) make a stock split, consolidation or reclassification of Shares into other securities of the Company, then the Conversion Downside Price shall be appropriately adjusted so that the Noteholders shall be entitled to receive the number of Shares and/or other securities of the Company which it would have held or have been entitled to receive after the happening of any of the events described above had such Convertible Notes been converted immediately prior to the happening of such event. Such adjustment shall become effective immediately on the happening of such event;
- (b) grant, issue or offer to the Shareholders rights or warrants entitling them to subscribe for or purchase Shares at less than 95% of the current market price per Share, then the Conversion Downside Price in effect on the record date shall be adjusted in accordance with the following formula:

$$NCDP = OCDP \times \frac{OS + v}{OS + NS}$$

LETTER FROM THE BOARD

where:

“NCDP” is the Conversion Downside Price after such adjustment;

“OCDP” is the Conversion Downside Price before such adjustment;

“OS” is the number of Shares outstanding on the date the Company fixes the said consideration;

“NS” is the number of Shares to be issued on exercise of such rights or warrants at the initial subscription or purchase price; and

“v” is the number of Shares which the aggregate consideration receivable by the Company would purchase at such current market price per Share.

Such adjustment shall become effective immediately after the record date;

- (c) grant, issue or offer to the Shareholders rights or warrants entitling them to subscribe for or purchase any securities convertible into or exchangeable for Shares at less than 95% of the current market price per Share, then the Conversion Downside Price in effect on the record date shall be adjusted in accordance with the following formula:

$$\text{NCDP} = \text{OCDP} \times \frac{\text{OS} + v}{\text{OS} + \text{NS}}$$

where:

“NCDP” and “OCDP” have the meanings ascribed thereto in sub-paragraph (b) above;

“OS” is the number of Shares outstanding on the date the Company fixes the said consideration;

“NS” is the number of Shares to be issued upon conversion or exchange of such convertible or exchangeable securities at the initial subscription or purchase, and conversion or exchange, price or rate following exercise of such rights or warrants; and

LETTER FROM THE BOARD

“v” is the number of Shares which the aggregate consideration receivable by the Company would purchase at such current market price per Share.

Such adjustment shall become effective immediately after the record date;

- (d) distribute to the Shareholders evidences of its indebtedness, Shares (other than the Conversion Shares), assets (excluding annual dividends or interim dividends) or rights or warrants to subscribe for or purchase securities (other than those rights and warrants referred to in sub-paragraphs (b) and (c) above), then the Conversion Downside Price in effect on the record date shall be adjusted in accordance with the following formula:

$$\text{NCDP} = \text{OCDP} \times \frac{\text{CMP} - \text{fmv}}{\text{CMP}}$$

where:

“NCDP” and “OCDP” have the meanings ascribed thereto in sub-paragraph (b) above;

“CMP” is the current market price per Share on the record date; and

“fmv” is the fair market value (as determined by the Company or, if pursuant to applicable Laws such determination is to be made by application to a court of competent jurisdiction, as determined by such court or by an appraiser appointed by such court, and in any case described in a statement delivered by the Company to the Noteholder) of the portion of the evidences of indebtedness, shares, assets, rights or warrants so distributed applicable to one Share.

In making a determination of the fair market value of any such rights or warrants, the Company shall consult an independent investment bank or investment adviser licensed by the Hong Kong Monetary Authority and shall take fully into account the advice received from such bank or adviser. Such adjustment shall become effective immediately after the record date;

LETTER FROM THE BOARD

- (e) issue any securities convertible into or exchangeable for Shares (other than the Convertible Notes or in any of the circumstances described in sub-paragraph (c) above and sub-paragraph (g) below) or where such securities are issued to the vendors of assets being acquired for full value by the Company and the consideration per Share receivable by the Company shall be less than 95% of the current market price per Share, then the Conversion Downside Price in effect on the date of the issue of such convertible or exchangeable securities shall be adjusted in accordance with the following formula:

$$\text{NCDP} = \text{OCDP} \times \frac{\text{OS} + v}{\text{OS} + \text{NS}}$$

where:

“NCDP” and “OCDP” have the meanings ascribed thereto in sub-paragraph (b) above;

“OS” is the number of Shares outstanding at the close of business in Hong Kong on the date of such issue;

“NS” is the number of Shares to be issued upon conversion or exchange of such convertible or exchangeable securities at the initial conversion or exchange price or rate; and

“v” is the number of Shares which the aggregate consideration receivable by the Company would purchase at such current market price per Share.

Such adjustment shall become effective immediately after the calendar day in Hong Kong corresponding to the calendar day at the place of issue upon which such convertible or exchangeable securities shall be issued;

LETTER FROM THE BOARD

- (f) issue any Shares (other than Shares issued pursuant to a merger and other than Shares issued on exercise of the Conversion Right attaching to the Convertible Notes or pursuant to a scrip dividend or pursuant to an exercise of any rights attached to securities the issue of which had given rise to an adjustment under sub-paragraph (e) above or did not require any adjustment) and the consideration per Share receivable by the Company shall be less than 95% of the current market price per Share, then the Conversion Downside Price in effect on the date of the issue of such additional Shares shall be adjusted in accordance with the following formula:

$$\text{NCDP} = \text{OCDP} \times \frac{\text{OS} + v}{\text{OS} + \text{NS}}$$

where:

“NCDP” and “OCDP” have the meanings ascribed thereto in sub-paragraph (b) above;

“OS” is the number of Shares outstanding at the close of business in Hong Kong on the day immediately prior to the date of issue of such additional Shares;

“NS” is the number of additional Shares being issued as aforesaid; and

“v” is the number of Shares which the aggregate consideration receivable by the Company would purchase at such current market price per Share.

Such adjustment shall become effective as at the date in Hong Kong on which the Company issues such additional Shares;

- (g) issue any rights or warrants to subscribe for or purchase Shares or securities convertible into or exchangeable for Shares (other than the Convertible Notes and any rights or warrants granted, issued or offered to the Shareholders or pursuant to the terms of any securities) and the consideration per Share receivable by the Company shall be less than 95% of the current market price per Share, then the Conversion Downside Price in effect on the date of the issue of such rights or warrants shall be adjusted in accordance with the following formula:

$$\text{NCDP} = \text{OCDP} \times \frac{\text{OS} + v}{\text{OS} + \text{NS}}$$

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where:

“NCDP” and “OCDP” have the meanings ascribed thereto in sub-paragraph (b) above;

“OS” is the number of Shares outstanding at the close of business in Hong Kong on the date of such issue;

“NS” is the number of Shares to be issued on exercise of such rights or warrants at the initial subscription or purchase price, or upon conversion or exchange of such convertible or exchangeable securities at the initial conversion or exchange price or rate following exercise of such rights or warrants; and

“v” is the number of Shares which the aggregate consideration receivable by the Company would purchase at such current market price per Share on the date in Hong Kong on which the Company fixes such consideration.

Such adjustment shall become effective immediately after the calendar day in Hong Kong corresponding to the calendar day at the place of issue upon which such rights or warrants shall be issued;

- (h) issue securities of a type falling within sub-paragraphs (e) to (g) above which otherwise require an adjustment to the Conversion Downside Price pursuant thereto, then any adjustment of the Conversion Downside Price shall not be made separately under each such sub-paragraph but in one calculation in accordance with the following formula:

$$\text{NCDP} = \text{OCDP} \times \frac{\text{OS} + v1 + v2 + v3}{\text{OS} + \text{NS1} + \text{NS2} + \text{NS3}}$$

where:

“NCDP” and “OCDP” have the meanings ascribed thereto in sub-paragraph (b) above;

“OS” is the number of Shares outstanding at the close of business in Hong Kong on the relevant date;

LETTER FROM THE BOARD

“NS1” is the number of Shares to be issued upon conversion or exchange of any convertible or exchangeable securities at the initial conversion or exchange price or rate;

“NS2” is the number of any additional Shares being issued;

“NS3” is the number of Shares to be issued on exercise of any rights or warrants at the initial subscription or purchase price, or upon conversion or exchange of any convertible or exchangeable securities at the initial conversion or exchange price or rate following exercise of such rights or warrants;

“v1” is the number of Shares which the aggregate consideration receivable by the Company for such convertible or exchangeable securities would purchase at the current market price per Share on the date in Hong Kong on which the Company fixes the said consideration;

“v2” is the number of Shares which the aggregate consideration receivable by the Company for the issue of such additional Shares would purchase at the current market price per Share on the date in Hong Kong on which the Company fixes the said consideration; and

“v3” is the number of Shares which the aggregate consideration receivable by the Company for the issue of the total number of Shares to be issued on exercise of such rights or warrants and (if applicable) upon conversion or exchange of such convertible or exchangeable securities would purchase at the current market price per Share on the date in Hong Kong on which the Company fixes the said consideration.

Any such adjustment shall become effective immediately after the calendar day in Hong Kong corresponding to the calendar day at the relevant place of issue which is the relevant date.

To avoid doubt, this sub-paragraph does not supersede sub-paragraph (e), (f) and (g) above; or

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- (i) make a capital distribution which does not fall within subparagraphs (a) to (h) above, the Conversion Downside Price shall be adjusted by multiplying the Conversion Downside Price in force immediately before such capital distribution by the following formula:

$$\frac{X - Y}{X}$$

where:

“X” is the current market price per Share on the last Business Day preceding the date on which the capital distribution is publicly announced; and

“Y” is the fair market value on the date of such announcement, as determined in good faith by an independent investment bank or investment adviser licensed by the Securities Commission selected by the Company, and acting as an expert, of the portion of the capital distribution attributable to one Share.

Such adjustment shall become effective on the date that such capital distribution is actually made.

- Events of default** : For so long as there are any Convertible Notes outstanding, if any of the following events (each, an “Event of Default”) occur:
- (a) for so long as there are any Convertible Notes outstanding, any of the approvals, consents and/or waivers required to be obtained by the Company under the New Subscription Agreement are not obtained when it is required to be obtained or are amended, withdrawn, revoked, rescinded or cancelled;
 - (b) where any of the approvals required to be obtained by the Company under the New Subscription Agreement were obtained subject to any conditions which were required to be fulfilled, such conditions were not fulfilled when it is required to be fulfilled;
 - (c) there is a default in any payment by the Company pursuant to the conditions to the Convertible Notes and such default is not remedied by the Company within seven (7) Business Days from the due date of such payment;

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- (d) there is default by the Company in the performance or observance of any covenant, condition, provision or obligation (including the performance of its obligations to allot and issue Shares arising from the conversion of the Convertible Notes as and when the Noteholders exercise its Conversion Rights in accordance with the conditions to the Convertible Notes) contained in the Convertible Notes and on its part to be performed or observed (other than the covenant to pay the nominal value and interest in respect of any of the Convertible Notes) and such default continues for the period of seven (7) Business Days following the service by any Noteholder on the Company of notice requiring the same to be remedied;
- (e) any other notes, debentures, bonds or other instruments of indebtedness or any other loan indebtedness having an aggregate outstanding amount of over HK\$5 million only or the equivalent in any other currency or currencies (hereinafter collectively called “Indebtedness”) of the Company or any of the Subsidiaries become or becomes prematurely repayable following a default in respect of the terms thereof which shall not have been remedied, or steps are taken to enforce any security therefor, or the Company or any of the Subsidiaries defaults in the repayment of any such Indebtedness at the maturity thereof or at the expiration of any applicable grace period therefor or any guarantee of or indemnity in respect of any Indebtedness of others having an aggregate outstanding amount of over HK\$5 million given by the Company or any of the Subsidiaries shall not be honoured when due and called upon;
- (f) a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved (otherwise than for the purposes of or pursuant to a consolidation, amalgamation, merger, reconstruction or reorganisation that is approved by the Shareholders, as the case may be, and upon which the continuing corporation effectively assumes the entire obligations of the Company, as the case may be, under the Convertible Notes);

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- (g) a resolution is passed or an order of a court of competent jurisdiction is made that any Subsidiary be wound up or dissolved (otherwise than (i) for the purposes of or pursuant to a consolidation, amalgamation, merger, reconstruction or reorganisation (other than as described in (ii) below) the terms of which have previously been approved in writing by the Majority Noteholders, (ii) for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction with or into the Company or another Subsidiary of the Company, or (iii) by way of a voluntary winding up or dissolution where there are surplus assets in such Subsidiary and such surplus assets attributable to the Company and/or any Subsidiary are distributed to the Company and/or such Subsidiary);
- (h) an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the Group;
- (i) (i) the Company or any Subsidiary without any lawful cause stops payment (within the meaning of any applicable bankruptcy or insolvency law) or is unable to pay its debts as and when they fall due (within the meaning of any applicable bankruptcy or insolvency law) or (ii) the Company or any Subsidiary (otherwise than for the purposes of such a consolidation, amalgamation, merger, reconstruction or reorganisation as is referred to in paragraphs (g) or (h) above) ceases or through an official action of the board of directors of the Company or any Subsidiary, as the case may be, threatens to cease to carry on its business, and such action has a material adverse effect on the Group;
- (j) proceedings shall have been initiated against the Company or any Subsidiary under any applicable bankruptcy, reorganisation or insolvency law and such proceedings have not been discharged or stayed within a period of fourteen (14) Business Days thereof;

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- (k) the Company or any Subsidiary shall initiate or consent to proceedings seeking with respect to itself adjudication of bankruptcy or insolvency, or a decree of commencement of composition or reorganisation or other similar procedures, or the appointment of an administrator or other similar official under any applicable bankruptcy, reorganisation or insolvency law or make a general assignment for the benefit of, or enter into any composition with, its creditors, and such action has a material adverse effect on the Group;
- (l) a distress, execution or seizure before judgment is levied or enforced upon or sued out against a part of the property of the Company or any Subsidiary, which is material in its effect upon the operations of either the Company or such Subsidiary, as the case may be, and is not discharged within fourteen (14) Business Days thereof;
- (m) the delisting of the Shares on the Main Board of the Stock Exchange or a suspension of trading of such Shares on the Main Board of the Stock Exchange for a period of five (5) consecutive Business Days or more save for suspension caused by administrative or technical error not due to the Company or trading halts made at the request of the Company for corporate announcements or circular(s) pending clearance by the Stock Exchange or other regulatory or governmental bodies;
- (n) the ratio of borrowings to Net Worth exceeds 5 times. For illustrative purpose, the ratio of borrowings to Net Worth as at 31 March 2022 is 0.01 based on the latest audited consolidated accounts of the Company for the year ended 31 March 2022;
- (o) the Net Worth is less than HK\$5 million. For illustrative purpose, the Net Worth of the Company as at 31 March 2022 is HK\$1,810.6 million as shown in the audited consolidated accounts of the Company for the year ended 31 March 2022;
- (p) for so long as there are any Convertible Notes outstanding the Company engages in any transaction with any hedge fund operating or originating from any part of the world; or

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- (q) any credit facilities granted to the Company or any of its Subsidiaries are withdrawn, terminated or suspended for any reason whatsoever, and such action has a material adverse effect on the Group, then any Convertible Notes may, by notice in writing given to the Company by the Noteholder, be declared immediately due and payable whereupon it shall become immediately due and payable at 118% of its nominal value, together with accrued interest (the “Default Redemption Amount”). Interests shall accrue on the Default Redemption Amount on a daily basis at the rate of 3% per month (the “Default Interest”) commencing from the Business Day immediately following the date of the relevant notice up to and including the date on which the Noteholder receives the full payment of the Default Redemption Amount and the relevant Default Interest.

Ranking : The Convertible Note constitute direct, unconditional, unsubordinated and unsecured obligations of the Company, ranking pari passu and rateably without any preference among themselves and, subject as mentioned above and save as otherwise provided under any applicable laws or regulations, equally with all other unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.

The Conversion Shares will rank pari passu in all respects with all other then existing Shares outstanding, except that such Conversion Shares shall not be entitled to any dividends, rights, allotments or other distributions, the record date of which is before the relevant Conversion Date of the Convertible Notes.

Transferability : A Convertible Note may be transferred in whole but not in part.

Any transfer of the Convertible Notes by the Noteholders to any core connected person (as defined in the Listing Rules) of the Company will be subject to the requirements (if any) that the Stock Exchange may impose from time to time.

Voting : The Noteholder(s) shall not be entitled to receive notice of or to attend, speak or vote at any general meetings held by the Company until the Convertible Notes held by Noteholder have been converted into Shares.

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Negative Pledge : Neither the Company nor any of its Subsidiaries shall, for as long as any of the Convertible Notes remains outstanding, without prior written consent of the Noteholders (such written consent shall not be unreasonably withheld) create or allow the creation of any mortgage, charge, pledge or any other security interest upon the whole or any part of its property or assets, present or future, in order to secure, for the benefit of holders of any existing or future Convertible Notes (or to secure for the benefit of holders thereof any guarantee or indemnity or other like obligation in respect thereof) without according to the Convertible Notes at the same time, either the same security as is created or is outstanding in respect of such Convertible Notes (or such guarantee or indemnity or other like obligation in respect thereof) or such other security or guarantee as is not materially less beneficial to the Noteholders. To avoid doubt, this shall not be applicable to the creation of any mortgage, charge, pledge or any other security interest upon the whole or any part of the property or assets of the Company or its Subsidiaries, present or future, in order to secure, for the benefit of the Company or its Subsidiaries of any loan facilities, borrowings and/or credit facilities granted to the Company or its Subsidiaries by banks for its business operation, repayment of bank borrowings, working capital or business expansion.

INFORMATION ON THE SUBSCRIBERS AND ACP

AOF is a proprietary fund established in the Cayman Islands in 2006 and is principally engaged in providing funding solutions to small and medium sized public companies in South East Asia. AOF manages its own funds and investment portfolios and invests in a variety of financial instruments, including but not limited to investing in quoted securities through private unlisted debt-to-equities convertible instruments issued by listed issuers across various jurisdictions. As at the Latest Practicable Date, Mr. Tan Choon Wee is the founder, director and sole shareholder of AOF, and Mr. Nicolas Lin is also a director of AOF.

AOF I is an open-ended fund incorporated as an exempted company with limited liability in the Cayman Islands in 2016. AOF I is currently managed by ZICO Asset Management Pte. Ltd. (“ZICOAM”), a holder of a capital markets services licence to conduct fund management activities regulated under the Securities and Futures Act 2001 of Singapore (“SFA”). ZICOAM has been appointed by AOF I to serve as the discretionary investment manager of all its investments. AOF I is registered as a restricted foreign scheme with the Monetary Authority of Singapore. As AOF I is a discretionary fund, its investors do not make decisions in regards to the investment activities of AOF I. As at the Latest Practicable Date, AOF I has approximately 19 investors comprising both individuals and corporations which meet the requirements to be accredited investors as set out under the SFA. Mr. Tan Choon Wee is the sole management shareholder of AOF I.

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ACP is a private limited company registered in Singapore and has been appointed by AOF as its authorised representative to coordinate and manage AOF's investment in the Company. The Subscribers have also provided an authorisation notice dated 20 October 2022, appointing ACP as the recipient of the Administrative Fee until and unless otherwise instructed by the Subscribers. As at the Latest Practicable Date, Mr. Tan Choon Wee is the director and sole shareholder of ACP.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save for the Proposed Issue and the transactions contemplated thereunder, the Company, its directors and the connected persons of the Company at the issuer level do not have any other agreement, arrangement or undertaking with the Subscribers, their respective directors and ultimate beneficial owners as at the Latest Practicable Date.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company consist of investment holding, development of new energy business and trading of metals and minerals. The Group also operates the Glauberite Mine located in the Guangxi Zhuang Autonomous Region of the PRC.

Termination of the Previous Subscription Agreement

The closing price of the Shares and the Hang Seng Index has experienced significant fluctuations since the date of the Previous Subscription Agreement. In view of safeguarding the interest of the Company and its Shareholders while taking into account the funding needs of the Company, the Company and the Subscribers have entered into the Termination Agreement to terminate the Previous Subscription Agreement and entered into the New Subscription Agreement.

Funding needs of the Company

As the electric vehicles produced by the Company continues to be delivered to its overseas customers, the Company is in the course of expanding its overseas market and is expected to receive further sizable orders for its electric vehicles from overseas customers in the near future. The Company shall continue to take hold of vast business opportunity in the overseas emerging market to further develop its electric vehicle business.

In addition, as disclosed in the annual report of the Company for the year ended 31 March 2022, the Group closely monitored the Glauberite Mine development and has been in regular communication with the local government. The Group is in the course of formulating a viable and feasible plan with the local government in developing the Glauberite Mine.

As such, the Company intends to utilise the proceeds from the issue of the Convertible Notes to increase the general working capital of the Group for its existing operations, including but not limited to the development of the electric vehicle business and the Glauberite Mine, and/or future development as and when business opportunities arise.

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The net proceeds for the issuance of the Convertible Notes in full (after deducting professional fees and all other expenses in relation to the Subscription) shall be approximately HK\$188 million. It is intended that the net proceeds will be utilised as follows:

| Intended use | Net proceeds from the issuance of the Convertible Notes <i>HK\$ in million</i> | Expected utilisation timeline |
|--|---|--|
| Development of the electric vehicle business | | |
| – Purchasing of raw materials for the production of vehicles | 68 | On or before 31 March 2024 |
| – Research and development expenses | 10 | On or before 31 March 2024 |
| – Capital expenditure on existing manufacturing plant to maintain its capacity | 10 | On or before 31 March 2024 |
| Development of the Glauberite Mine | | |
| – Construction of the processing plant, and acquisition of machinery and equipment | 30 | On or before 31 March 2024 |
| – Working capital for the Glauberite Mine | 20 | On or before 31 March 2024 |
| General working capital | | |
| – Administrative expenses, including but not limited to staff cost and rental etc | 42 | On or before 31 March 2024 |
| – Corporate expenses, including but not limited to legal and professional fee, annual listing fee and related listing expenses etc | 8 | On or before 31 March 2024 |
| Total | 188 | |

Pursuant to the New Subscription Agreement, the Company shall be able to drawdown gross proceeds of at least HK\$25 million from the issuance of the Convertible Notes, which will be applied towards the above intended use of proceeds on a pro rata basis.

LETTER FROM THE BOARD

Conclusion

The Directors consider the issue of the Convertible Notes offers good opportunities to raise further capital and to strengthen the financial position of the Group. Taking into account of the above, the Directors, including the independent non-executive Directors, are of the view that the terms of the New Subscription Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fundraising activity in the past twelve months immediately preceding the Latest Practicable Date.

EFFECTS OF THE FULL CONVERSION OF THE CONVERTIBLE NOTES

The shareholding structure of the Company (assuming no outstanding convertible bonds will be converted, no outstanding share options will be exercised and there is no other change in the issued share capital of the Company) (i) as at the Latest Practicable Date; and (ii) immediately after conversion in full of the Convertible Notes assuming the Maximum Conversion Shares were issued in full, is set out below:

| | As at the Latest Practicable Date | | Immediately after conversion in full of the Convertible Notes assuming the Maximum Conversion Shares were issued in full | |
|--|--------------------------------------|--------------------------|--|--------------------------|
| | <i>No. of Shares</i> | <i>Approximate %</i> | <i>No. of Shares</i> | <i>Approximate %</i> |
| Mr. Cheung Ngan (Note 1) | 536,038,559 | 5.95 | 536,038,559 | 4.96 |
| Faith Profit Holding Limited (Note 1) | 222,586,400 | 2.47 | 222,586,400 | 2.06 |
| Entrusted Limited (Note 2) | 982,727,510 | 10.91 | 982,727,510 | 9.09 |
| The Subscribers | – | – | 1,800,000,000 (Note 3) | 16.65 (Note 3) |
| Public Shareholders | <u>7,268,326,506</u> | <u>80.67</u> | <u>7,268,326,506</u> | <u>67.24</u> |
| Total | <u>9,009,678,975</u> | <u>100.00</u> | <u>10,809,678,975</u> | <u>100.00</u> |

LETTER FROM THE BOARD

Notes:

1. The number of Shares of 222,586,400 was held by Faith Profit Holding Limited, which was wholly owned by Mr. Cheung Ngan.
2. Entrust Limited is controlled as to 34% by Mr. Chan Tok Yu, 25% by Ms. Chan Hoi Ying (an Executive Director of the Company), 25% by Mr. Chan Hin Yeung and 16% by Ms. Siu Kwan. Mr. Chan Tok Yu's interest is held by Ms. Siu Kwan as a trustee. Accordingly, Mr. Chan Tok Yu and Ms. Siu Kwan are deemed to be interested in the shares in which Entrust Limited is interested by virtue of the SFO.
3. Assuming part of the Shares held by the Subscribers were transferred to independent third parties in the event the percentage of shares held by the Subscribers will be over 10% of the total issued shareholding of the Company at any point in time, which exceed the Maximum Conversion Shares pursuant to the New Subscription Agreement.

Shareholders and potential investors of the Company should note that the above table is solely for illustrative purposes only. As disclosed above in the principal terms and conditions of the Convertible Notes, each of the Subscribers agreed whether individually or together with any other person that, directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with it/them, to not hold more than 10% of the Company's total shareholding at any point in time and from time to time without prior approval of the Company.

LISTING RULES IMPLICATIONS

Pursuant to Rule 13.36(1)(a) of the Listing Rules, the issue of the Convertible Notes carrying the right to convert into Conversion Shares is subject to approval by the Shareholders. Accordingly, the Company will convene the SGM to seek the approval of the Shareholders on the New Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the relevant Conversion Shares upon the exercise of the Conversion Right in respect of Convertible Notes.

SGM

A notice convening the SGM is set out on pages 36 to 38 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.evdynamics.com>). Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of this proxy form will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to be proposed at the SGM.

LETTER FROM THE BOARD

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting of the Company must be taken by poll. Accordingly, all the resolutions to be considered and, if thought fit, approved at the SGM will be taken by poll.

The results of the poll will be published on the Company's and the Stock Exchange's websites following the SGM.

RECOMMENDATION

The Directors consider that the proposed issue of Convertible Notes are all in the best interests of the Company and the Shareholders. Accordingly, the Directors recommend the Shareholders to vote in favour of such resolutions to be proposed at the SGM.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular 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.

MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text in case of inconsistency.

Completion of the Subscription is conditional upon, among other things, the listing of, and the permission to deal in the Conversion Shares being granted by the Stock Exchange. As such, the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealings in the Shares.

Yours faithfully
For and on behalf of the Board
Ev Dynamics (Holdings) Limited
Cheung Ngan
Chairman

NOTICE OF SGM



EvDynamics

Ev Dynamics (Holdings) Limited

科軒動力（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 476)

NOTICE IS HEREBY GIVEN that the special general meeting of Ev Dynamics (Holdings) Limited (the “Company”) will be held at 24th Floor, Admiralty Centre 1, 18 Harcourt Road, Hong Kong on Thursday, 8 December 2022 at 3:00 p.m. (or at any adjournment thereof) for the following purposes:

ORDINARY RESOLUTION

1. **“THAT**

- (a) the new subscription agreement dated 20 October 2022 (the “Subscription Agreement”) entered into between the Company as the issuer, and Advance Opportunities Fund and Advance Opportunities Fund I as the subscribers (the “Subscribers”) (a copy of which has been tabled at the Meeting and marked “A” and signed by the chairman of the Meeting for identification purpose), in relation to the subscription by the Subscribers of the 2% redeemable convertible notes convertible into the shares of the Company (the “Shares”) with an aggregate nominal value of up to HK\$200 million comprising 40 equal sub-tranches of HK\$5 million each (the “Convertible Notes”) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the issue of the Convertible Notes in accordance with the terms and conditions of the Subscription Agreement be and are hereby approved;
- (c) the issue and allotment of new ordinary shares of HK\$0.01 each in the share capital of the Company (the “Conversion Shares”) upon the exercise of the conversion rights attaching to the Convertible Notes be and is hereby approved;

NOTICE OF SGM

- (d) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited having granted approval for the listing of, and permission to deal in the Conversion Shares, the directors of the Company (the “Directors”) be and are hereby granted a specific mandate which shall entitle the Directors to exercise all the powers of the Company to allot and issue Conversion Shares, to be credited as fully paid, upon exercise of the conversion rights attaching to the Convertible Notes on and subject to the terms and conditions of the Convertible Notes, provided that the specific mandate shall be in addition to, and shall not prejudice nor revoke any general or specific mandates(s) which may have been granted to the Directors prior to the passing of this resolution; and
- (e) the Directors be and are hereby authorised to exercise all the powers of the Company and take all steps as might in the opinion of the Directors be desirable, necessary or expedient in connection with the implementation of the transactions contemplated under the Subscription Agreement and in relation to the issue and allotment of the Conversion Shares, including, without limitation to, the execution, amendment, supplement, delivery, submission and implementation of any further documents or agreements.”

By Order of the Board
Ev Dynamics (Holdings) Limited
Cheung Ngan
Chairman

Hong Kong, 18 November 2022

Notes:

- (i) Any Shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy in respect of the whole or any part of his holding of shares to attend and vote in his stead. A proxy need not be a shareholder of the Company.
- (ii) In order to be valid, a proxy form, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or other authority, must be deposited at the Company’s Hong Kong branch share registrar, Tricor Tengis Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours prior to the meeting.
- (iii) The register of Shareholders of the Company will be closed from Monday, 5 December 2022 to Thursday, 8 December 2022, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending this SGM, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. (Hong Kong time) on Friday, 2 December 2022.

NOTICE OF SGM

- (iv) To safeguard the health and safety of attending shareholders and proxies and to reduce the risk of COVID-19 spreading, the following precautionary measures will be taken at the SGM:
- (i) compulsory body temperature check;
 - (ii) mandatory wearing of surgical face mask throughout the SGM;
 - (iii) scanning the “LeaveHomeSafe” venue QR Code;
 - (iv) no provision of gifts, food and beverages; and
 - (v) seats at the SGM venue will be arranged to ensure appropriate social distancing. As a result, there will be limited capacity for attendees. Seats will be limited at the meeting and will be available on a first-come-first-served basis.

Any person who (1) is having a body temperature of over 37.3 degree Celsius; (2) is subject to mandatory quarantine order imposed by the Hong Kong Government on the SGM date or has close contact with any person under quarantine; (3) has any flu-like symptoms or is otherwise unwell; or (4) does not comply with the above precautionary measures, will be denied entry into the meeting venue at the absolute discretion of the Company so as to ensure the health and safety of the attendees of the SGM.

Shareholders are strongly encouraged to appoint the Chairman of the SGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the SGM in person.

Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement(s) on such measures as appropriate.

If Shareholders have any questions relating to the SGM, please contact Tricor Tengis Limited, the Company's Hong Kong branch share registrar, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

- (v) As at the date hereof, the Board comprises three executive directors, namely Mr. Cheung Ngan, Mr. Miguel Valldecabres Polop and Ms. Chan Hoi Ying, and three independent non-executive directors, namely Mr. Chan Francis Ping Kuen, Mr. Lee Kwok Leung and Dato' Tan Yee Boon.