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Ev Dynamics (Holdings) Limited
科軒動力(控股)有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 476)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2024

Reference is made to the annual report of Ev Dynamics (Holdings) Limited (the "**Company**", together with its subsidiaries, the "**Group**") for the year ended 31 March 2024 (the "**Annual Report**"). Unless the context otherwise requires, capitalized terms used herein shall have the same meaning as those defined in the Annual Report.

In addition to the information provided in the Annual Report, the Company would like to provide the following additional information in relation to the latest business development of the Company.

RECENT BUSINESS DEVELOPMENT OF THE COMPANY

A. EV Business

Reference is made to the circular of the Company dated 26 July 2024 (the "**Circular**") in relation to, among other things, the rights issue on the basis of three rights shares for every two shares (the "**Rights Issue**").

As disclosed in the Annual Report and the Circular, the Group continued to develop its new energy business and received purchase orders from a number of customers. However, due to the pressure in the working capital of the Group, the Company may have to rearrange or delay the production schedule in order to minimise the outflow of working capital. Accordingly, the Group may only split the purchase orders into a number of batches which might prolong the time required for completing purchase orders on hand for delivering to its customers within the expected delivery schedule of the customers.

As further disclosed in the Annual Report, the Group has received orders to supply 1,000 units in aggregate of cabin chassis platform to the world largest bakery company in Mexico, of which 200 units order has been completed in the first half of the calendar year 2023. The remaining units have been partly completed but the delivery has been held up because of modification requests from the customer. The Group was considering another distribution channel for continuing to export the cabin chassis platform to Mexico through some local resellers.

Up to the date of this announcement, the Group successfully sourced a local reseller for the distribution of cabin chassis platform in Mexico and the Group may commence the shipment arrangement subject to the local homologation process.

As at the date of this announcement, the Group had secured purchase order of over HK$140 million which are expected to be delivered during the years ending 31 March 2025 and 2026. In addition, the Group continued to explore expanding its customer base in Hong Kong, Southeast Asia, America and Africa, where the Group is currently negotiating with a number of new customers for purchase orders.

B. Mining Business

The Revised Mining Plan

As stated in the Annual Report, the Company is considering the possibility of implementing the Revised Mining Plan. The Revised Mining Plan utilises the latest modern technology to allow the extraction of the minerals in the Glauberite Mine in a more efficient manner as compared to the original mining plan.

Results of the Feasibility Report

In January 2024, based on the latest mining technology and extraction solutions provided by the CAS, TCC has issued the feasibility studies report on the Revised Mining Plan (the "**Feasibility Report**"), which is intended for an annual production of 100,000 tons of baking soda and 80,000 tons of ammonium sulfate. Based on the opinion of TCC, the Revised Mining Plan which utilises (i) the Guangxi Land, the infrastructure and resources of Guangxi Weiri; and (ii) latest mining technology and extraction solutions provided by the CAS, is more economically efficient than the original mining plan. Based on the Feasibility Report, it is expected that, upon the implementation of the Revised Mining Plan, the Glauberite Mine generate positive revenue and net profit annually.

In order to adopt the latest mining technology proposed by the CAS for the Revised Mining Plan as suggested in the Feasibility Report, a production facility together with the mining facility and related infrastructure shall be constructed. Based on the Feasibility Report, under the Revised Mining Plan, all the relevant production facility, the mining facility and related infrastructure are to be constructed in Guangxi Land.

The Feasibility Report further suggested that, as the location of the Glauberite Mine is not close to the existing public utilities infrastructure such as pipeline networks, in order to implement the latest mining technology proposed by the CAS, additional infrastructure is required to be constructed for the Glauberite Mine to connect with the public utility infrastructure. The Company understands that the construction of the infrastructures to be connected with the existing public utilities infrastructure, being pipelines and cables to be built on the surface, may not require the obtaining of separate land use rights.

Based on the estimation conducted by TCC, an initial investment and working capital of around RMB350 million is required for the construction of the above infrastructure and the operation of the Revised Mining Plan. Upon commencement of the project, the detailed infrastructure blueprint design and construction work is expected to be completed in 18 to 24 months.

Latest status of the Guangxi Land

As disclosed in the Annual Report, the Group received a revocation notice from the Resources Bureau in relation to the revocation of the land use right of the Guangxi Land (the "**Revocation**"). As a result, the relevant land use rights of Guangxi Land have been fully depreciated in relation to the Revocation during the year ended 31 March 2024 in the consolidated financial statements of the Company.

The Administrative Litigation

Despite of the Revocation, as disclosed in the Annual Report, the Company had initiated an administrative litigation against the Resources Bureau to contest the Revocation (the "**Administrative Litigation**").

During the first hearing of the Group's litigation against Mr. Zhou Bo on 20 May 2024, it is noted that Guangxi Weiri may not have received the correspondence from the Resources Bureau properly. After discussion with the PRC legal adviser, it is noted that certain documents were delivered by the Resources Bureau to certain individuals (such as Mr. Zhou Bo) instead of the designated person of Guangxi Weiri, despite Guangxi Weiri had previously on 8 December 2021 submitted a letter to the Resources Bureau to clarify, among other things, that Mr. Zhou Bo no longer represents Guangxi Weiri. As such, Guangxi Weiri was not given the time and right to respond the Revocation Notice as allowed in the relevant laws and regulations.

Accordingly, the Group commenced the Administrative Litigation with the Resources Bureau to contest the validity of the Revocation by the Resources Bureau. The first hearing was held on 26 July 2024. It is expected that the judgement will be handed down during the year ending 31 March 2025.

Based on the discussion with its PRC legal adviser, the Company is optimistic on the outcome of the Administrative Litigation. In the event the court hands a favourable judgement for Guangxi Weiri in relation to the Administrative Litigation, it is expected that the Revocation may be unwinded. Regardless of whether the judgement is favourable to Guangxi Weiri, it is expected that the Administrative Litigation may also allow Guangxi Weiri to establish a dialogue with the Resources Bureau in discussing the re-issuance of the land use right of Guangxi Land.

In addition, it is expected that, regardless of the outcome of the Administrative Litigation, there is no legal restriction and no difficulties for Gunagxi Weiri to re-apply for the land use rights for Guangxi Land.

As such, the Company is of the view that, even if the outcome, Guangxi Weiri still possesses the mining right of the Glauberite Mine and may continue to implement the Revised Mining Plan through other lease arrangements that may be further negotiated with the Resources Bureau and/or the local government. Accordingly, the Company is of the view there is no material impact on the Company in the event the outcome of the Administrative Litigation is unfavourable.

Support from the local government

The Company has continued to maintain good relationship with the local authorities. In particular, the Company had made a submission to the local government in relation to the possible implementation of the Revised Mining Plan. On 29 September 2023, the local government issued a letter in response to the Revised Mining Plan, pursuant to which the local government recommended the Company to submit the Feasibility Report of the Revised Mining Plan to the relevant authorities for further evaluation, which demonstrated that the local government continues to support the Company to develop the Glauberite Mine; and (ii) resolve the historical issue on the shareholding structure of Guangxi Weiri, details of which are further disclosed below.

As such, Guangxi Weiri had submitted the Feasibility Report to the local government in January 2024 and initiated the litigation against Mr. Zhou Bo to refine the shareholding structure of Guangxi Weiri as further detailed below.

Based on the above, the Company is of the view that, upon conclusion of the Administrative Litigation, with the support of the local government, Guangxi Weiri may negotiate with the Resources Bureau in relation to the land use rights of the Guangxi Land, or any lease arrangement that may allow Guangxi Weiri to implement the Revised Mining Plan. As at the date of this announcement, Guangxi Weiri has yet to enter into any definite lease arrangement.

Refining the shareholding structure of Guangxi Weiri

Reference is made to the circular of the Company dated 10 October 2013 in relation to the acquisition of the Guangxi Weiri by the Company.

Since the acquisition of Guangxi Weiri and up to the date of this announcement, Guangxi Weiri is a wholly-owned subsidiary of the Company, which is beneficially held by 99% as to Wise Goal Enterprise Limited (HK), a wholly-owned subsidiary of the Company, and 1% by Mr. Zhou Bo, who holds the 1% equity interest of Guangxi Weiri on behalf of the Company pursuant to the deed of assignment dated 20 July 2011 (the "**Deed**").

Pursuant to the Deed, Mr. Zhou Bo shall act in accordance to the instruction of the Group in relation to his equity interest of Guangxi Weiri, including the transfer of his registered interest in Guangxi Weiri as and when instructed. However, Mr. Zhou Bo has been refusing to cooperate with the Group.

During the course of negotiation with the potential investors and respective due diligence in relation to the development of the Glauberite Mine, the potential investors, including one of the state-owned mining companies, raised concerns on Mr. Zhou Bo's status as a registered shareholder of Guangxi Weiri, as any major corporate actions such as change of shareholding structure of Guangxi Weiri or issue of new shares would require the approval of all registered shareholders pursuant to the articles of association of Guangxi Weiri. Being one of the registered shareholders of Guangxi Weiri, Mr. Zhou Bo may disrupt any fundraising or cooperation opportunities for Guangxi Weiri.

In view of the above concern raised by the local government and the potential investors, the Group instructed Mr. Zhou Bo to transfer all his registered equity interest in Guangxi Weiri to the Group pursuant to the Deed, which Mr. Zhou Bo refused to cooperate. As such, in February 2024, the Group commenced litigation against Mr. Zhou Bo in the PRC in view of transferring the registered shares of Mr. Zhou Bo in Guangxi Weiri pursuant to the Deed. The case is accepted by the court and the first hearing had been held on 20 May 2024.

As the Deed was signed by a number of parties including Mr. Chan Chung Chun, an executive Director of the Company who passed away on 8 May 2015, the court had requested certain administrative procedures in relation to his inheritance arrangement to be completed before continued to proceed with the case. It is expected that such administrative procedures will be completed by around September 2024 and the second hearing will then be scheduled.

As advised by the Company's PRC legal adviser, it is expected that the court will hand down the judgement by the year ending 31 March 2025.

Assessment on the valuation of the mining rights of the Glauberite Mine under the Revised Mining Plan

Based on the preliminary discussion with the valuer, in the event the Company adopt and implement the Revised Mining Plan, there is no impairment indicators on the mining assets of the Glauberite Mine given (i) the Revised Mining Plan provides additional value to the mining efficiency; (ii) the Revised Mining Plan is expected to generate positive net profit before tax and the Glauberite Mine has commercial value based on the Feasibility Report; and (iii) the Company continues to own the exploitation license of the Mine which is valid until the year of 2041.

Fundraising and collaboration opportunities

As disclosed in the circular of the Company dated 26 July 2024 in relation to, among other things, the Rights Issue, as at 31 May 2024, the balance of cash and cash equivalent of the Group only amounted to approximately HK$5.6 million. In view of the above findings of the Feasibility Report, the Company is actively exploring fundraising opportunities to finance the investment of the Revised Mining Plan.

Given the cash balance of the Company is low while the initial investment required for the Revised Mining Plan is substantial, despite the Company resolved to conduct the Rights Issue, the Company considers it may be difficult to raise substantial funds sufficient for the Revised Mining Plan through open offer or rights issue due to the recent market environment. As such, the proceeds from the Rights Issue are expected to be utilised on the EV business of the Company in view of generating further positive cashflow with the purchase orders of the Company on hand as disclosed above.

Nevertheless, the Company had been negotiating with a number of potential investors for fundraising opportunities for financing the implementation of the Revised Mining Plan. However, given the recent investment sentiment and macroeconomic environment, no fundraising opportunities has yet to materialise in this regard. The Company also considered to collaborate with other mining companies in the PRC, including state-owned mining companies, to jointly develop the Glauberite Mine and implement the Revised Mining Plan.

In the event any fundraising and collaboration opportunities materialise, the Company will publish further announcement(s) to notify the public in compliance with the Listing Rules.

Expected timeline to commence operation of the Glauberite Mine

Based on the Feasibility Report by TCC, upon (i) the completion of the construction of the facilities; and (ii) having sufficient working capital, the Glauberite Mine may commence operation with the Revised Mining Plan.

As illustrated above, it is expected that, after the shareholding structure of Guangxi Weiri shall be refined during the year ending 31 March 2025, the Company may conduct fundraising exercise or introduce strategic investor in the second half of 2025 in view of commencing the implementation of the Revised Mining Plan during the year ending 31 March 2026.

The implementation of the Revised Mining Plan is subject to, among other things (i) the fundings required for the implementation of the Revised Mining Plan; and (ii) the board approval of the Company after considering factors such as the cashflow of the Company and valuation report of the Glauberite Mine to be further conducted based on the Revised Mining Plan.

Accordingly, the Company is of the view that, the Revised Mining Plan, if implemented, may allow the Company to resolve the uncertainties in relation to the land use rights issue of the Guangxi Land and facilitate the development of the Glauberite Mine.

In the event the Company decided to implement the Revised Mining Plan, the Company will publish further announcement(s) to notify the public in compliance with the Listing Rules.

GENERAL

The above supplemental information does not affect other information and contents set out in the Annual Report. Save as disclosed herein, the contents of the Annual Report remain unchanged and shall continue to be valid for all purposes.

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

Hong Kong, 14 August 2024

As at the date of this announcement, 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.