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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE
DISPOSAL OF EQUITY INTEREST IN TARGET COMPANY**

THE DISPOSAL

The Board is pleased to announce that after trading hours on 2 June 2023, the Company and the Vendor, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares, which represented the entire issued shares of the Target Company, at a Consideration of RMB34 million.

LISTING RULES IMPLICATIONS

The Company has applied for and the Stock Exchange has granted the adoption of an alternative size test for the assets ratio, profits ratio and revenue ratio in relation to the Disposal pursuant to Rule 14.20 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Disposal as calculated based on the alternative size test exceeds 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors should note that completion of the Disposal is subject to the fulfilment or waiver of the conditions precedent (as the case maybe) and Completion thereof may or may not proceed. Shareholders and potential investors are therefore reminded to exercise caution when dealing in the Shares of the Company.

INTRODUCTION

The Board is pleased to announce that after trading hours on 2 June 2023, the Vendor, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares, which represented the entire issued shares of the Target Company, at a Consideration of RMB34 million.

THE SALES AND PURCHASE AGREEMENT

The principal terms of the Sales and Purchase Agreement are set out as below:

Vendor:	China Dynamics New Energy Technology Company Limited, a wholly-owned subsidiary of the Company.
Purchaser:	Chongqing Xinying Yuanjian Machinery Manufacturing Co., Ltd.* (重慶鑫贏原鍵機械製造有限公司)
Guarantor:	the Company
Assets to be disposed:	The Sale Shares, being 100% of the issued shares of the Target Company.

Chongqing Suitong New Energy, a subsidiary of the Target Company, possess certain intangible assets (the “**Suitong Intangible Assets**”), including the modified bus enterprise status (改裝類客車企業) approved by the government (which is embedded with the entity of Chongqing Suitong New Energy) that is required for registering relevant vehicles for selling in the domestic market in the PRC. It is only intended Suitong Intangible Assets to be disposed by the Group to the Purchaser, where all other major assets and liabilities of the Target Group will be transferred to the Vendor or its nominee prior to the Completion of the Disposal through the Restructuring (as defined below).

Accordingly, upon completion of the Restructuring, the Target Company and its remaining shareholding in Suitong Green Energy and Chongqing Suitong New Energy will be disposed under the Disposal pursuant to the Sale and Purchase Agreement.

Restructuring of the Target Company:

Pursuant to the Sale and Purchase Agreement, the Completion of the Disposal is subject to the following restructuring of assets and liabilities of the Target Group (the “**Restructuring**”) on or before 31 July 2023:

- (i) the issued shares of Sinocop Development held by the Target Company shall be transferred to the Vendor or a company designated by the Vendor;
- (ii) the issued shares of Chongqing Suitong Vehicles and Shenzhen Suitong New Energy held by Chongqing Suitong New Energy shall be transferred to the Vendor or a company designated by the Vendor;
- (iii) all assets and liabilities of Sinocop Development, Chongqing Suitong Vehicles and Shenzhen Suitong New Energy shall be assigned to the Vendor or a company designated by the Vendor;
- (iv) all assets and liabilities of the Target Group (except for the amount owned by Chongqing Suitong New Energy to the Target Company) shall be assigned to the Vendor or a company designated by the Vendor; and
- (v) all liabilities of Chongqing Suitong New Energy prior to the Completion Date shall be borne by the Vendor.

The shareholding structure of the Target Company as at the date of this announcement and immediately upon completion of the Restructuring are further illustrated in detail under the section headed “Information of the Target Company” below.

Consideration:

The Consideration for the Sale Shares is RMB34 million, which is determined after arm’s length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to the cost of the application of the Suitong Intangible Assets.

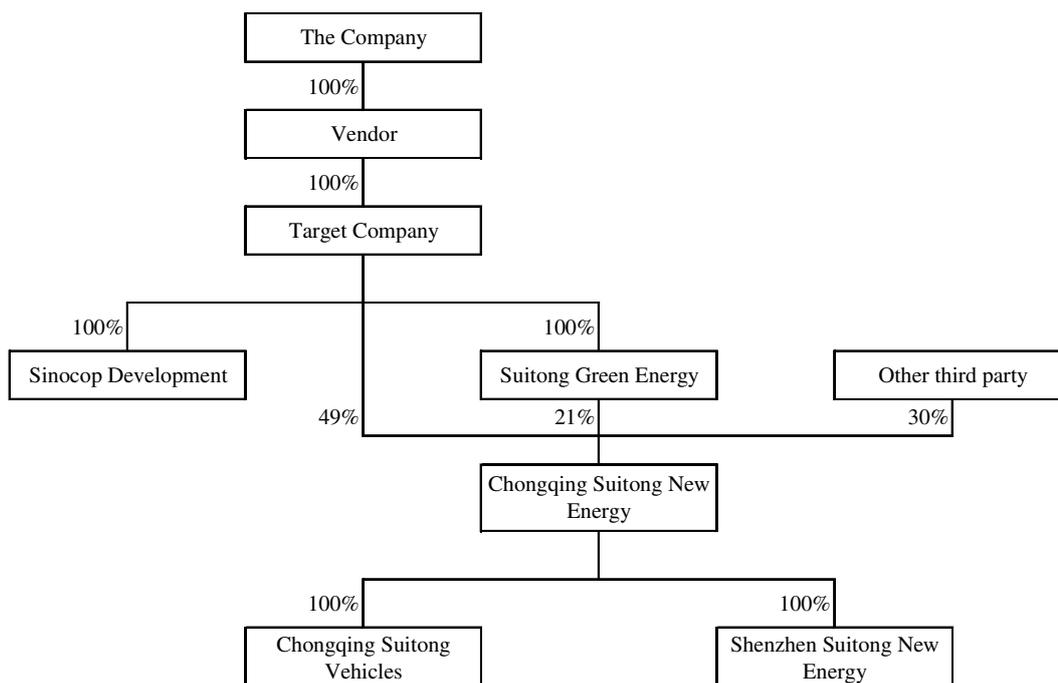
- Payment terms: The Consideration shall be settled in the following manner:
- (i) RMB20 million shall be payable by the Purchaser to the Vendor within 3 business days of the date of the Sale and Purchase Agreement; and
 - (ii) an amount estimated to be approximately RMB8.2 million shall be payable by the Purchaser directly to the debtors of Chongqing Suitong New Energy on behalf of the Company within 3 business days of the date of completion of the shares transfer of Sinocop Development, Chongqing Suitong Vehicles and Shenzhen Suitong New Energy to the Vendor or a company designated by the Vendor; and
 - (iii) the remaining Consideration of approximately RMB5.8 million shall be payable by the Purchaser to the Vendor on the Completion Date.
- Conditions precedent: The Completion is conditional upon fulfillment or (as appropriate) waiver of the following conditions:
- (a) the completion of the Restructuring; and
 - (b) all necessary authorisations, consents and approval from the Stock Exchange in relation to the Disposal having been obtained.
- Transition period: Within 5 years of the Completion Date, the Purchaser shall provide any assistance within its capacity to assist the Vendor or a company designated by the Vendor in exporting its motor vehicles to overseas as and when necessary.
- The Company is of the view that this back-up arrangement may, upon completion of the Disposal, ensure the continuity of business operation during the transition period while the Vendor or its nominee applies for the relevant export license in the PRC (which is expected to be completed within a month), which is in the interest of the Company.
- Guarantee: The Company, as the Guarantor, shall guarantee on the performance of the obligations of the Vendor under the Sales and Purchase Agreement.

INFORMATION OF THE TARGET COMPANY

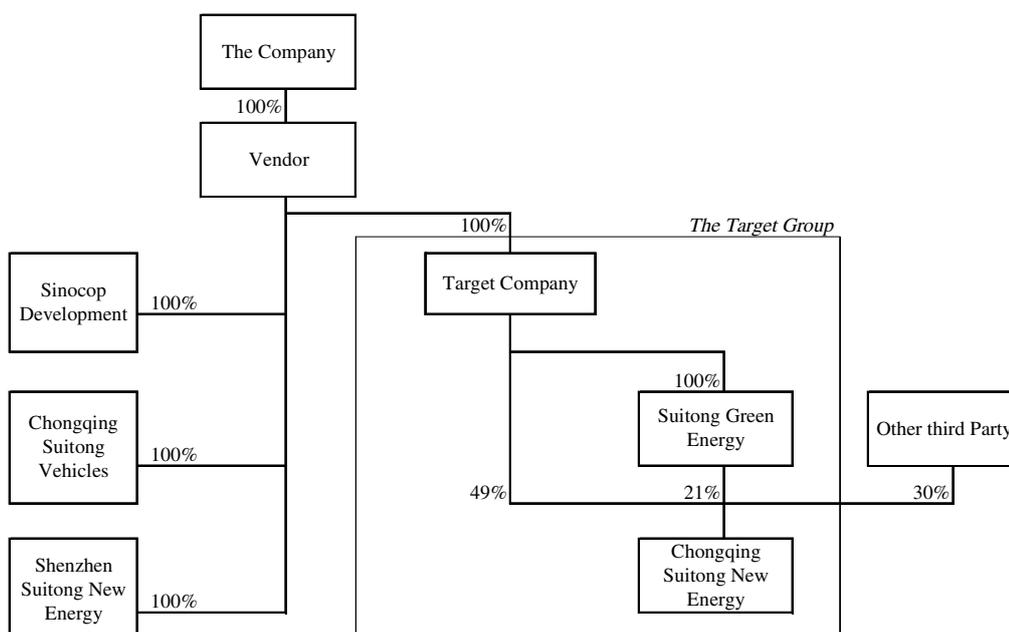
The Target Company is a limited company incorporated in 2014 in the PRC, it is principally engaged in the development, manufactory and sale of electric automobile.

The shareholding structure of the Target Company (i) as at the date of this announcement; and (ii) immediately upon completion of the Restructuring, is set out as follows:

(i) As at the date of this announcement:



(ii) Immediately upon completion of the Restructuring



Set out below is the financial information of the Target Group for the years ended 31 March 2021 and 2022.

	For the year ended		For the six
	31 March	31 March	months ended
	2021	2022	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	16,609	37,648	1,279
Gross profit	3,522	2,547	(12)
Loss before income tax	(9,647)	(18,758)	(6,262)
Loss after income tax	(8,904)	(15,783)	(6,206)

The unaudited total asset and net liabilities of the Target Group as at 31 March 2023 are approximately RMB118.6 million and RMB83.9 million respectively.

Assuming the Restructuring is completed on 31 March 2023, it is estimated that the total asset and net asset value of the Target Group is approximately RMB18.7 million and RMB10.5 million respectively, which mainly represented (i) the carrying value of the Suitong Intangible Assets as at 31 March 2023, including (a) the carrying amount of the intangible assets in relation to the modified bus enterprise status (改裝類客車企業); (b) the carrying value of certain prepayments paid by the Target Group for the application of upgrading the modified bus enterprise status (改裝類客車企業) to new energy commercial vehicle manufacture enterprise status (新能源商用車整車准入生產企業), the balance of which is not transferrable or recoverable as the services have been provided by the respective vendors; and (ii) certain liabilities and bank borrowings in an aggregate amount of approximately RMB8.2 million, which will be settled by the Purchaser on behalf of the Company as part of the Consideration as detailed above.

INFORMATION OF THE PURCHASER

As at the date of this announcement, the Purchaser is a limited company incorporated in the PRC on 26 November 2013 and is principally engaged in manufacturing of automobile parts. The ultimate beneficial owner of the Purchaser is Mr. Wang Bin and Ms. Deng Xiaolan, who are PRC citizens.

To the best of knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the manufactory, sales and development of electric motor vehicles.

The Suitong Intangible Assets

The Group, through the Target Group, operates a production base in Chongqing engaged in the manufacture of electric buses and their entire electric power and control systems, the manufacture of other buses, and the marketing and selling of vehicle components.

In 2015, Chongqing Suitong New Energy successfully applied for the modified bus enterprise status (改裝類客車企業), which allows the registration of relevant vehicles in the national catalogue for sales of electric vehicles in the domestic market in the PRC. Since 2016, the Group had been receiving sales orders from municipal governments for supplying electric buses in the domestic market.

However, due to various changes in the policies, measures and subsidies launched by the PRC government throughout the years, the domestic electric vehicle market has become increasingly competitive in the PRC. As such, the Company has been exploring diversifying into the overseas market since 2019 and the Group has successfully secured and received substantial sales orders from a number of overseas customers.

Existing business model of the EV business

As at the date of this announcement, the customer portfolio and target market of the Group is principally located in Hong Kong, Southern East Asia, America and Europe. Accordingly, the Group has shifted its focus in manufacturing of electric vehicles in the PRC for exporting to overseas market.

Given the current target customers and market of the Group represented overseas customers, the electric vehicles manufactured by the Group's production base in Chongqing are all exported and delivered to customer overseas instead of selling in domestic market. The Group may continue to operate its production facilities in the PRC and exports the electric vehicles to overseas customers without the modified bus enterprise status (改裝類客車企業) that is embedded with the entity of Chongqing Suitong New Energy. As such, the Company is of the view that the Suitong Intangible Assets are no longer required for the operation of the existing business model of the Group.

Opportunity to realize the investment in the Suitong Intangible Assets

As (i) the Suitong Intangible Assets are required to be renewed regularly; (ii) the Company may require to incur substantial cost to maintain the Suitong Intangible Assets; and (iii) the Suitong Intangible Assets are currently not required for implementing the business plan of the Group under the business model of the current EV business as detailed above, the Company considered the Disposal represents an excellent opportunity to reduce the maintenance cost of the Suitong Intangible Assets while realising its investment in the Suitong Intangible Assets.

Pursuant to the Sale and Purchase Agreement, upon completion of the Restructuring, all assets and liabilities of the Target Company and its subsidiaries will be transferred to the Vendor prior to the Completion. The Disposal will be completed through transferring the Target Group, which the Suitong Intangible Assets were registered under, to the Purchaser. As such, the Disposal will have no impact on the operation of the Company as the Company will continue to operate the production base in Chongqing and possess manufacturing capability for exporting electric vehicles after Completion.

Taking into account of the above, the Directors are of the view that the Disposal is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

The Group expects to recognise an unaudited gain of approximately RMB4.7 million as a result of the Disposal, which is calculated based on (i) the Consideration of the Disposal; and (ii) the estimated net asset value of the Group's investment in the Target Group of approximately RMB29.3 million as at 31 March 2023.

The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to audit and will be assessed after the Completion.

LISTING RULES IMPLICATIONS

The Company has applied for and the Stock Exchange has granted the adoption of an alternative size test for the assets ratio, profits ratio and revenue ratio in relation to the Disposal pursuant to Rule 14.20 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Disposal as calculated based on the alternative size test under Rule 14.07 of the Listing Rules exceeds 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors should note that completion of the Disposal is subject to the fulfilment or waiver of the conditions precedent (as the case maybe) and Completion thereof may or may not proceed. Shareholders and potential investors are therefore reminded to exercise caution when dealing in the Shares of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Chongqing Suitong Vehicles”	Chongqing Suitong Vehicles Industrial Development Company Limited* (重慶穗通汽車工業發展有限公司), a limited company incorporated in the PRC and an indirect subsidiary of the Target Company
“Chongqing Suitong New Energy”	Chongqing Suitong New Energy Automotive Manufacturing Co. Ltd* (重慶穗通新能源汽車製造有限公司), a limited company incorporated in the PRC and a direct subsidiary of the Target Company
“Company”	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)
“Completion”	Completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date of the Completion
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Consideration”	the consideration of RMB34 million for the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser under the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Chongqing Xinying Yuanjian Machinery Manufacturing Co., Ltd. (重慶鑫贏原鍵機械製造有限公司), a limited liability company incorporated in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 2 June 2023 entered into between the Vendors and the Purchaser in relation to the Disposal (as supplemented by a supplemental agreement dated 4 June 2023 entered into between the Vendor and the Purchaser)
“Sale Shares”	100% of the issued shares of the Target Company held by the Vendor
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Suitong New Energy”	Shenzhen Suitong New Energy Vehicle Technology Company Limited* (深圳穗通新能源汽車技術有限公司), a limited company incorporated in the PRC and an indirect subsidiary of the Target Company
“Sinocop Development”	Sinocop Development (Tianjin) Technology Company Limited* (中銅動力(天津)科技有限公司), a limited company incorporated in the PRC and a direct wholly-owned subsidiary of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suitong Green Energy”	Chongqing Suitong Green Energy Tourism Development Company Limited* (重慶穗通綠能旅遊發展有限公司), a limited company incorporated in the PRC and a direct wholly-owned subsidiary of the Target Company
“Target Company”	Chongqing Sinocop New Energy Vehicle Technology Company Limited* (重慶中銅新能源汽車技術有限公司), a limited company incorporated in the PRC and a direct wholly-owned subsidiary of the Vendor

“Target Group”	the Target Company, Chongqing Suitong New Energy and Suitong Green Energy upon completion of the Restructuring
“Vendor”	China Dynamics New Energy Technology Company Limited (中國動力新能源科技有限公司), a limited company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 4 June 2023

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Cheung Ngan, Mr. Miguel Valdecabres 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.

* For identification purposes only