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中國動力
China Dynamics

CHINA DYNAMICS (HOLDINGS) LIMITED

中國動力（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 476)

**SHARE TRANSACTION IN RELATION TO
THE INVESTMENT IN 10% INTEREST
IN RIMAC AUTOMOBILI**

THE INVESTMENT

The Board is pleased to announce that on 11 July 2014 (after trading hours), the Company, Mate Rimac and the Target Company entered into the Investment Agreement, pursuant to which the Company has conditionally agreed to invest in 10% equity interest of the Target Company, at an aggregate consideration of approximately HK\$72,700,000, which shall be satisfied by way of (i) cash in the sum of EUR5,000,000 (or equivalent to approximately HK\$52,700,000); and (ii) HK\$20,000,000 by the issue of 20,000,000 Consideration Shares at the issue price of HK\$1.00 per Consideration Share.

As the applicable percentage ratios in respect of the Investment are less than 5% and the Consideration includes the issue of the Consideration Shares, the Investment constitutes a share transaction under the Listing Rules for the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

Completion of the Investment is subject to the satisfaction of the conditions precedent under the Investment Agreement. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Introduction

Reference is made to announcement of the Company dated 10 March 2014 in relation to the term sheet entered into between the Company and Target Company in respect of a possible acquisition.

The Board is pleased to announce that on 11 July 2014 (after trading hours), the Company, Mate Rimac and the Target Company entered into the Investment Agreement, pursuant to which the Company has conditionally agreed to invest in 10% equity interest of the Target Company, at an aggregate consideration of approximately HK\$72,700,000, which shall be satisfied by way of (i) cash in the sum of EUR5,000,000 (or equivalent to approximately HK\$52,700,000); and (ii) HK\$20,000,000 by the issue of 20,000,000 Consideration Shares at the issue price of HK\$1.00 per Consideration Share.

INVESTMENT AGREEMENT

Date

11 July 2014

Parties

- (1) The Company
- (2) Mate Rimac
- (3) Rimac Automobili, the Target Company

The Target Company is a company incorporated in the Republic of Croatia with limited liability and is owned as to 92% by Mate Rimac, a director of the Target Company, and as to 8% by two independent third parties. To the best knowledge, information and belief of the Directors and after making all reasonable enquiries, the Target Company and all its shareholders, including Mate Rimac, are Independent Third Parties.

Subject matter of the Investment Agreement

Pursuant to the Investment Agreement, the Company has conditionally agreed to invest in 10% equity interest of the Target Company as at the date of the Investment Agreement and on the Completion Date and together with all rights now or hereinafter attached thereto on or after the Completion Date.

Consideration

The consideration for the Investment is approximately HK\$72,700,000 and will be satisfied in the following manner:

- (i) EUR5,000,000 (or equivalent to approximately HK\$52,700,000) in the form of cash shall be paid to an escrow account under a Croatian bank and will be released upon receipt of the notification of registration of the Company as a shareholder of the Target Company; and
- (ii) HK\$20,000,000 by the allotment and issue of 20,000,000 Consideration Shares at an issue price of HK\$1.00 each within five (5) Business Days upon receipt of the notification of registration of the Company as a shareholder of the Target Company.

The consideration for the Investment was arrived at after arm's length negotiation among the parties to the Investment Agreement and was determined with reference to, including but not limited to, (i) the business development and prospects of the Target Company; and (ii) the reasons for the Investment as mentioned in the section headed "Reasons for and benefits of the Investment" below. The Directors consider that the consideration for the Investment is fair and reasonable and in the interests of the Group and of the Shareholders as a whole.

Consideration Shares

Pursuant to the Investment Agreement, the Company shall issue and allot, credited as fully paid, an aggregate 20,000,000 Consideration Shares at the issue price of HK\$1.00 per Consideration Share to the Target Company as settlement of part of the Consideration for the Investment. The issue price was arrived at after arm's length negotiation between the parties to the Investment Agreement with reference to the recent market prices of the Shares.

The issue price of HK\$1.0 per Consideration Share represents:

- (i) a premium of approximately 6.4% over the closing price of HK\$0.94 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a premium of approximately 1.0% over the average closing price of approximately HK\$0.99 per Share as quoted on the Stock Exchange for the last five trading days prior to the date of the Investment Agreement.

The aggregate Consideration Shares comprising 20,000,000 Shares represents approximately 0.714% of the issued share capital of the Company as at the date of this announcement and approximately 0.709% of the enlarged issued share capital of the Company immediately following the Completion.

The Consideration Shares will be issued and allotted pursuant to the General Mandate. Under the General Mandate, the Company is authorized to allot and otherwise deal with new Shares of up to 20% of the issued share capital of the Company as at the date of the aforesaid special general meeting, which amounts to 541,149,360 new Shares. Up to the date of this announcement, 96,000,000 Shares under the General Mandate have been utilized for issue of the subscription shares, details of which were set out in the announcements of the Company dated 18 June 2014 and 27 June 2014. Save as disclosed aforesaid, no other Share has been issued under the General Mandate.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of and permission to deal in the Consideration Shares.

There is no restriction for the subsequent sale of the Consideration Shares and the Consideration Shares will rank pari passu in all respects with all other Shares in issue.

Conditions of the Investment

Completion is conditional upon, among other things, the following conditions precedent having been fulfilled or, as the case may be, waived:

- (1) the Investment Agreement being in force;
- (2) the Company has completed due diligence on the Target Company and is reasonably satisfied with the findings;
- (3) the Existing Shareholders and the Company have agreed on the form of the shareholders' agreement to be validly executed on the Completion Date;
- (4) the Existing Shareholders and the Company have agreed to the terms and conditions of the articles of association of the Target Company;
- (5) the Target Company, the Company and the escrow bank have agreed to and entered into the escrow agreement and the Company has deposited the investment amount of EUR5,000,000 on a special account opened by the escrow bank;
- (6) the Existing Shareholders and the Company have agreed to the business plan of the Target Company;
- (7) the representations and warranties made by Mate Rimac under the Investment Agreement are true and correct in all material respects on the Completion Date;
- (8) the representations and warranties made by the Company under the Investment Agreement are true and correct in all material respects on the Completion Date;
- (9) Mate Rimac have passed a decision on splitting his share in the Target Company; and

(10) (where appropriate) all necessary consents and approvals in relation to the transactions contemplated under the Investment Agreement having been obtained by the Company; and all relevant regulatory requirements (including but not limited to those under the Listing Rules) having been complied with and satisfied.

The Company may waive any of the conditions precedents above except those relating to compliance with the laws, regulations and/or regulatory requirements of the relevant regulatory bodies or authorities. In the event that the above conditions are not fulfilled or waived on or before the Long Stop Date, the Investment Agreement shall be terminated and neither party shall have any rights or obligations against each other under the Investment Agreement except for any antecedent breach.

Completion of the Investment

Completion of the Investment shall take place on the fifth Business Days after the conditions precedent having been fulfilled or waived (as the case maybe) (or such other date as the parties may agree).

Upon Completion, the Target Company will be owned as to 82% by Mate Rimac, 10% by the Company and 8% by two Independent Third Parties.

SHAREHOLDING STRUCTURES OF THE COMPANY

The shareholding structure of the Company (a) as at the date of this announcement; and (b) immediately after the issue of the Consideration Shares (assuming there is no other change in the issued share capital of the Company) is as follows:

Shareholders	As at the date of this announcement		Immediately after the issue of the Consideration Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Mr. Cheung Ngan (<i>Note 1</i>)	311,232,469	11.11	311,232,469	11.03
Sino PowerHouse Corporation (<i>Note 2</i>)	84,000,000	3.00	84,000,000	2.98
The Target Company	–	–	20,000,000	0.71
Other public Shareholders	<u>2,406,514,331</u>	<u>85.89</u>	<u>2,406,514,331</u>	<u>85.28</u>
Total	<u><u>2,801,746,800</u></u>	<u><u>100.00</u></u>	<u><u>2,821,746,800</u></u>	<u><u>100.00</u></u>

Notes:

1. Mr. Cheung Ngan is the chairman and executive director of the Company.
2. The 84,000,000 shares represent beneficial interest of Sino PowerHouse Corporation, which is owned as to 51% by Mr. Cheung Ngan and as to 49% by Mr. Chan Chung Chun, Arnold. Mr. Chan Chung Chun, Arnold is an executive director of the Company.

INFORMATION ON THE TARGET COMPANY AND MATE RIMAC

The Target Company is a company incorporated in the Republic of Croatia with limited liability. To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, the Target Company is principally engaged in researching, designing, developing, manufacturing, marketing and selling (i) the vehicles, powertrains and battery technology systems for use in vehicles, bikes, bicycles and other motor vehicles; and (ii) replacement parts and support equipment and related services, in each case, for such powertrains and battery technology systems.

Mate Rimac is a director and shareholder of the Target Company holding 92% equity interest in the Target Company.

Financial Information of the Target Company

Set out below is the unaudited financial information of the Target Company for the two financial years ended 31 December 2012 and 2013 respectively:

	For the year ended 31 December 2012 (unaudited) <i>Approximately EUR'000</i>	For the year ended 31 December 2013 (unaudited) <i>Approximately EUR'000</i>
Net profit before taxation	<u>38.3</u>	<u>29.8</u>
Net profit after taxation	<u>98.8</u>	<u>29.8</u>

The unaudited net assets value of the Target Company as at 31 December 2013 was approximately EUR127,800.

REASONS FOR AND BENEFITS OF THE INVESTMENT

The Company is an investment holding company. The principal activities of the subsidiaries of the Company consist of investment holding, trading of metals and mineral, development of new energy business and processing of raw ores and mineral resources.

As the Target Company is focused on the development of high performance propulsion systems, components and vehicles. Since the Group has captured the technology of the battery system for electric buses and commencing its market position in the new energy industry, the Directors consider that the Investment represents a good opportunity for the Group to further invest in such industry. The Group believes that the Investment represents a good horizontal business expansion opportunity into passenger electric vehicle markets in addition to the electric bus public transport fleet markets.

The Board is of the view that the Investment Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and other parties to the Investment Agreement and that the terms of the Investment Agreement are fair and reasonable and the Investment is in the interests of the Company and the Shareholders as a whole.

GENERAL

As the applicable percentage ratios in respect of the Investment are less than 5% and the Consideration includes the issue of the Consideration Shares, the Investment constitutes a share transaction under the Listing Rules for the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

Completion of the Investment is subject to the satisfaction of the conditions precedent under the Investment Agreement. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day(s)”	means a day (excluding Saturday and Sunday) on which banks are open for general business in Hong Kong
“Company”	China Dynamics (Holdings) Limited, a company incorporated in Bermuda with limited liability whose issued Shares are listed on the main board of the Stock Exchange
“Completion”	the completion of the Investment in accordance with the Investment Agreement

“Completion Date”	the date of Completion, which will be the fifth Business Days after the fulfillment or waiver (as the case may be) of the conditions precedent (or such other date as agreed by the parties)
“Connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration payable by the Company for the Investment of HK\$72,700,000
“Consideration Share(s)”	20,000,000 new Share(s) that may be issued by the Company to settle part of the Consideration
“Director(s)”	director(s) of the Company
“Existing Shareholders”	Mate Rimac and two Independent Third Parties, which collectively hold 100% of the entire equity interest in the Target Company as at the date of the Investment Agreement
“General Mandate”	the general mandate to allot, issue and deal with a maximum of 541,149,360 new Shares granted by the Shareholders to the Directors at the special general meeting of the Company held on 5 May 2014
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) and its(their) ultimate beneficial owner(s), if applicable, which is(are) independent of the Company and its connected persons
“Investment”	the investment in 10% equity interest in the Target Company pursuant to the Investment Agreement

“Investment Agreement”	the conditional agreement dated 11 July 2014 entered into among the Mate Rimac, the Company and the Target Company in relation to the Investment
“Last Trading Day”	11 July 2014, being the last full trading day for the Shares prior to the issue of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	15 August 2014 (or such other date as agreed by the parties to the Investment Agreement)
“Mate Rimac”	Mate Rimac, a Croatian citizen and an Independent Third Party holding 92% of the entire equity interest in Rimac Automobili as at the date of the Investment Agreement
“PRC”	the People’s Republic of China
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company” or “Rimac Automobili”	Rimac Automobili d.o.o., a company incorporated in the Republic of Croatia with limited liability and is owned as to 92% by Mate Rimac and as to 8% by two Independent Third Parties

“EUR”	Euros, the lawful currency of the member states of the European Union
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

For illustration only, amounts in EUR have been translated into HK\$ at the exchange rate of EUR1 = HK\$10.54.

By order of the Board
China Dynamics (Holdings) Limited
Cheung Ngan
Chairman

Hong Kong, 11 July 2014

As at the date of this announcement, the Board comprises two executive Directors, namely Messrs. Cheung Ngan and Chan Chung Chun, Arnold, one non-executive Director, namely Mr. Li Shaofeng and three independent non-executive Directors, namely Messrs. Chan Francis Ping Kuen, Hu Guang and Chan Chak Paul.