

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

DISCLOSEABLE TRANSACTION

Financial adviser to the Company



THE INVESTMENT

The board is pleased to announce that on 17 November 2014, Chongqing Sinocop (an indirect wholly-owned subsidiary of the Company), LBJ and LJM entered into the Investment Framework Agreement, the Capital Injection Agreement, the Equity Transfer Agreements and the Equity Pledged Agreements on the same date.

Pursuant to the Capital Injection Agreement, it has been conditionally agreed that Chongqing Sinocop shall make a capital injection to the Target Company in cash for a consideration of RMB20 million.

Pursuant to the Equity Transfer Agreements, it has been conditionally agreed that Chongqing Sinocop shall acquire and LBJ and LJM shall sell 18% and 2% of the enlarged equity interest of the Target Company in cash for a consideration of RMB7.2 million and RMB0.8 million respectively.

Pursuant to the Equity Pledged Agreements, it has been agreed that LBJ and LJM shall pledge 6.75% and 0.75% of the enlarged equity interest of the Target Company to Chongqing Sinocop until the completion of the Equity Transfer Agreement 2.

Upon Completion, the Group's equity interest in the Target Company will be 70% and the financial results of the Target Company will be consolidated into the financial statements of the Group.

As the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules are greater than 5% but less than 25%, the Investment constitutes a discloseable transaction of the Company and is subject to notification and announcement requirements under the Listing Rules.

BACKGROUND

The Board is pleased to announce that on 17 November 2014, Chongqing Sinocop, an indirect wholly-owned subsidiary of the Company, LBJ and LJM entered into the Investment Framework Agreement, the Capital Injection Agreement, the Equity Transfer Agreements (the Equity Transfer Agreement 1 and the Equity Transfer Agreement 2 collectively) and the Equity Pledged Agreements on the same date.

Pursuant to the Capital Injection Agreement, it has been conditionally agreed that Chongqing Sinocop shall make a capital injection to the Target Company in cash for a consideration of RMB20 million.

Pursuant to the Equity Transfer Agreements, it has been conditionally agreed that Chongqing Sinocop shall acquire and LBJ and LJM shall sell its 18% and 2% of the enlarged equity interest of the Target Company in cash for a consideration of RMB7.2 million and RMB0.8 million respectively.

Pursuant to the Equity Pledged Agreements, it has been agreed that LBJ and LJM shall pledge 6.75% and 0.75% of the enlarged equity interest of the Target Company respectively to Chongqing Sinocop until the completion of the Equity Transfer Agreement 2.

As at the date of this announcement, the Target Company is owned as to 90% and 10% by LBJ and LJM respectively with a registered capital of RMB20 million.

THE INVESTMENT FRAMEWORK AGREEMENT

1. Date

17 November 2014

2. Parties

- (i) Chongqing Sinocop New Energy Vehicle Technology Company Limited* (重慶中銅新能源汽車技術有限公司);
- (ii) Mr. Liang Ben Ji (梁本基);
- (iii) Mr. Liang Jin Ming (梁金明); and
- (iv) Target Company

To the best knowledge, information and belief having made all reasonable enquiry, LBJ and LJM are third parties independent of the Group and connected persons of the Group.

3. Investment

Pursuant to the Investment Framework Agreement, it has been conditionally agreed that (i) Chongqing Sinocop shall make a capital injection for RMB20 million to the Target Company in cash; and (ii) Chongqing Sinocop acquires 18% and 2% of the enlarged equity interest of the Target Company from LBJ and LJM for a consideration of RMB7.2 million and RMB0.8 million in cash respectively. The total consideration of the Investment is RMB28 million. Upon Completion, the Group's equity interest in the Target Company will be 70%.

On this basis, the corresponding parties also entered into the Capital Injection Agreement, the Equity Transfer Agreements and the Equity Pledged Agreements respectively. The principal terms of the Capital Injection Agreement, the Equity Transfer Agreements and the Equity Pledged Agreements, and the settlement terms of the consideration of the Capital Injection Agreement and the Equity Transfer Agreement are stated below.

4. Basis of the Consideration

The consideration of the Capital Injection Agreement and the Equity Transfer Agreements were arrived at after arm's length negotiations between the parties thereto and on normal commercial terms.

5. Effectiveness

The Investment Framework Agreement shall become effective on the date after it is signed by the parties.

6. Conditions Precedent

The conditions precedent to the Completion include (among others) the followings:

- (i) The Company having completed the due diligence review of the legal and financial of the Target Company and the results of such review being satisfactory to the Company;
- (ii) A reasonable and practicable plan of capital usage prepared by the Target Company should be provided to the Company and such plan being satisfactory to the Company;
- (iii) The Capital Injection Agreement, the Equity Transfer Agreements and the Equity Pledged Agreements shall be entered into by the corresponding parties respectively;
- (iv) Chongqing Sinocop, LBJ and LJM should mutually agree with the terms of the new article of association of the Target Company;

- (v) LBJ, LJM and the Target Company should ensure that the statements made in all material respects are true, accurate and complete and the related guarantees and commitments are complied with and executed;
- (vi) Upon Completion, there having been no occurrence of any event which may have a material adverse effect on the Target Company;
- (vii) The legally existence of the Target Company with normal operation upon Completion;
- (viii) Without any other material adverse change and the event of force majeure of the Target Company upon Completion; and
- (ix) LBJ, LJM and the Target Company shall complete the registration procedures at the administration of industry and commerce in respect of the capital injection and the equity transfer within one (1) month after the signing of the Capital Injection Agreement and the Equity Transfer Agreements or before 15 January 2015, whichever is the later.

All conditions precedent set out above cannot be waived by the Company.

If the above conditions shall not have been fulfilled on or before the Long Stop Date, the Investment Framework Agreement shall, subject to certain provisions of the Investment Framework Agreement and the liability of any party to the other in respect of any antecedent breaches of the terms of the Investment Framework Agreement, cease to have effect.

As at the date of this announcement, the condition set out in (ii) and (iii) have been fulfilled.

7. Completion

Upon Completion, the Group's equity interest in the Target Company will be 70% and the financial results of the Target Company will be consolidated into the financial statements of the Group.

THE CAPITAL INJECTION AGREEMENT

1. Date

17 November 2014

2. Parties

(i) Chongqing Sinocop;

(ii) LBJ;

(iii) LJM; and

(iv) Target Company

3. Capital Injection

Pursuant to the Capital Injection Agreement, the registered capital of the Target Company will increase from RMB20 million to RMB40 million upon completion of the capital injection. Chongqing Sinocop, as a new shareholder of the Target Company, will make a capital injection of RMB20 million, of which all will be included in the registered capital of the Target Company. Chongqing Sinocop shall make the capital injection from its internal source of funding in cash.

4. Settlement Terms

Chongqing Sinocop shall increase the registered capital of the Target Company by RMB20 million in cash by two instalments as follows:

(i) Within seven (7) days after the signing of the Capital Injection Agreement, Chongqing Sinocop shall inject capital of RMB10 million to the Target Company;

- (ii) Within seven (7) days after completion of the registration procedures at the administration of industry and commerce in respect of the capital injection to the Target Company (which in turn shall be completed within one (1) month after the signing of the Capital Injection Agreement), Chongqing Sinocop shall inject capital of RMB10 million to the Target Company.

5. Basis of the Consideration

The consideration of the Capital Injection Agreement was arrived at after arm's length negotiations between the parties thereto and on normal commercial terms.

6. Effectiveness

The Capital Injection Agreement shall become effective on the date after it is signed by the parties.

THE EQUITY TRANSFER AGREEMENT 1

1. Date

17 November 2014

2. Parties

Vendor : LBJ and LJM

Purchaser : Chongqing Sinocop

3. Equity Interest to be Acquired

Pursuant to the Equity Transfer Agreement 1, Chongqing Sinocop has conditionally agreed to acquire and LBJ and LJM has conditionally agreed to sell 11.25% and 1.25% of the enlarged equity interest in the Target Company for a consideration of RMB4.5 million and RMB0.5 million respectively.

4. Consideration

The total consideration of the Equity Transfer Agreement 1 in the amount of RMB5 million will be financed by internal resources of Chongqing Sinocop and its settlement terms are stated below.

5. Settlement Terms

Chongqing Sinocop shall pay RMB4.5 million and RMB0.5 million in cash to LBJ and LJM respectively after the signing of the Equity Transfer Agreement 1.

6. Basis of the Consideration

The consideration of the Equity Transfer Agreement 1 was arrived at after arm's length negotiations between the parties thereto and on normal commercial terms

7. Effectiveness

The Equity Transfer Agreement 1 shall become effective on the date after it is signed by the parties.

THE EQUITY TRANSFER AGREEMENT 2

1. Date

17 November 2014

2. Parties

Vendor : LBJ and LJM

Purchaser : Chongqing Sinocop

3. Equity Interest to be Acquired

Pursuant to the Equity Transfer Agreement 2, Chongqing Sinocop has conditionally agreed to acquire and LBJ and LJM has conditionally agreed to sell 6.75% and 0.75% of the enlarged equity interest in the Target Company for a consideration of RMB2.7 million and RMB0.3 million respectively.

4. Consideration

The total consideration of the Equity Transfer Agreement 2 in the amount of RMB3 million will be financed by internal resources of Chongqing Sinocop and its settlement terms are stated below.

5. Settlement Terms

Chongqing Sinocop shall prepay RMB2.7 million and RMB0.3 million in cash to LBJ and LJM respectively from the effective date of the Equity Transfer Agreement 2. Before completion of the registration procedures at the administration of industry and commerce in respect of the transfer of total 7.5% of the enlarged equity interest in the Target Company from LBJ and LJM to Chongqing Sinocop (which in turn shall be completed before 15 January 2015), LBJ and LJM shall pledge its 6.75% and 0.75% of the enlarged equity interest in the Target Company respectively to Chongqing Sinocop pursuant to the Equity Pledged Agreements.

6. Basis of the Consideration

The consideration of the Equity Transfer Agreement 2 was arrived at after arm's length negotiations between the parties thereto and on normal commercial terms.

7. Effectiveness

The Equity Transfer Agreement 2 shall become effective on the date after it is signed by the parties.

THE EQUITY PLEDGED AGREEMENTS

1. Date

17 November 2014

2. Parties

Pledger : LBJ and LJM

Pledgee : Chongqing Sinocop

3. Equity Interest to be Pledged and Terms

Pursuant to the Equity Pledged Agreements, LBJ and LJM have agreed to pledge its 6.75% and 0.75% of the enlarged equity interest in the Target Company respectively to Chongqing Sinocop after the signing of the Equity Transfer Agreements. The Equity Pledged Agreements will be terminated upon completion of the Equity Transfer Agreement 2.

4. Effectiveness

The Equity Pledged Agreements shall become effective on the date after it is signed by the parties.

CAPITAL STRUCTURE OF THE TARGET COMPANY

1. Capital structure of the Target Company before the Investment

Name of shareholders	Amount of contribution (RMB)	Shareholding percentage
Mr. Liang Ben Ji	18,000,000	90%
Mr. Liang Jin Ming	2,000,000	10%
Total	<u>20,000,000</u>	<u>100%</u>

2. Capital structure of the Target Company upon Completion

Name of shareholders	Amount of contribution (RMB)	Shareholding percentage
Chongqing Sinocop	28,000,000	70%
Mr. Liang Ben Ji	10,000,000	25%
Mr. Liang Jin Ming	2,000,000	5%
Total	<u>40,000,000</u>	<u>100%</u>

INFORMATION OF THE TARGET COMPANY

The Target Company is a limited liability company incorporated in the PRC on 7 August 2012 and has a registered capital of RMB20 million. As at the date of this announcement, it is directly owned as to 90% and 10% by LBJ and LJM respectively. The Target Company is principally engaged in manufacturing of buses, marketing and selling the components of vehicles. The Target Company had also obtained relevant confirmation from PRC government authority on 6 August 2014 which allows the Target Company to apply for specialized vehicles production license. This specialized vehicles license shall cover various types of vehicles such as mini van, garbage lorry etc. The Target Company is qualified to extend the specialized vehicles production license to include new energy buses, as such the Target Company can apply for new energy buses production license together with the specialized vehicles production license.

The following table sets out the unaudited financial information of the Target Company for the two years ended 31 December 2013 and for the nine months ended 30 September 2014:

	For the period from the establishment to 31 December 2012 (RMB'000)	For the year ended 31 December 2013 (RMB'000)	For the nine months ended 30 September 2014 (RMB'000)
Net gain/(loss) before tax and extraordinary items	136	(169)	(2,059)
Net gain/(loss) after tax and extraordinary items	136	(169)	(2,059)

The unaudited net asset value of the Target Company as at 30 September 2014 was approximately RMB17.9 million. The bank borrowings of the Target Company amounted to approximately RMB9.8 million as at 30 September 2014.

REASONS FOR AND BENEFITS OF ENTERING INTO THE INVESTMENT FRAMEWORK AGREEMENT

In view of the tremendous market potential in electric vehicles market in the PRC, the Directors believe that the Investment demonstrate the execution capacity to commence business in the new energy industry and facilitate good future development opportunity in electric vehicles markets. In addition, the Target Company may apply for the new energy buses production license on its own which will further enhance future development opportunity for the Company. The production base of the Target Company was located in Wulong, a county locates at the southeast of Chongqing.

Wulong is classified as The National Civilized Transportation Industry Units* (全國交通運輸行業文明單位) and The Pollution-free Agricultural Products County* (無公害農產品產地縣) where there are World Natural Heritage (世界自然遺產) and 5A-grade Scenic Spot in China* (國家5A級旅遊景區). As such, promoting usage of environmental friendly vehicles is one of the focuses and regional policies of Wulong. The local government of Wulong has expressed their interests and prioritized support to the production of electric vehicles by the Target Company, through the creation of dedicated electric public buses route as and when the Target Company's electric buses are available. It is expected that the first lot of electric buses would be 30 units and currently, Wulong has around 450 units of public buses with different size.

There are 29 county in Chongqing and the Directors are of the view that the Company will enjoy a competitive advantage through the Investment, and it will be a stepping stone for the Company to develop in the new energy industry in the PRC.

The Directors are of the view that the terms (including the consideration) of the Investment Framework Agreement, the Capital Injection Agreement, the Equity Transfer Agreements and the Equity Pledged Agreements are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULE IMPLICATIONS

As the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules are greater than 5% but less than 25%, the Investment constitutes a discloseable transaction of the Company and is subject to notification and announcement requirements under the Listing Rules.

INFORMATION OF RELEVANT PARTIES

The Group is principally engaged in new energy business, mining processing of raw ores and trading of metals and minerals.

Chongqing Sinocop is a limited liability company incorporated in the PRC. It is an indirect wholly-owned subsidiary of the Company and its principal business is investment holding.

DEFINITIONS

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

“Associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capital Injection Agreement”	the capital injection agreement dated 17 November 2014 entered into between Chongqing Sinocop, LBJ and LJM in relation to the capital injection to the Target Company
“Chongqing Sinocop”	Chongqing Sinocop New Energy Vehicle Technology Company Limited* (重慶中銅新能源汽車技術有限公司), a company incorporated in the PRC with limited liability, which, as at the date of this announcement, is an indirect wholly-owned subsidiary of the Company

“Company”	means China Dynamics (Holdings) Limited, a company incorporated under the laws of Bermuda with limited liability and the shares of which are listed on the Stock Exchange (stock code: 476)
“Completion”	means any date upon the completion of the conditions precedent of the Investment Framework Agreement. Or such other dates as Chongqing Sinocop, LBJ and LJM may agree
“Connected Person(s)”	has the meaning given to that term in the Listing Rules
“Directors”	directors of the Company
“Equity Pledged Agreements”	the equity pledged agreements dated 17 November 2014 entered into between Chongqing Sinocop, LBJ and LJM, pursuant to which LBJ and LJM shall pledge its 6.75% and 0.75% of the enlarged equity interest in the Target Company respectively to Chongqing Sinocop until completion of the Equity Transfer Agreement 2
“Equity Transfer Agreement 1”	the equity transfer agreement dated 17 November 2014 entered into between Chongqing Sinocop, LBJ and LJM, pursuant to which Chongqing Sinocop has conditionally agreed to acquire and LBJ and LJM have conditionally agreed to sell 11.25% and 1.25% of the enlarged equity interest in the Target Company respectively
“Equity Transfer Agreement 2”	the equity transfer agreement dated 17 November 2014 entered into between Chongqing Sinocop, LBJ and LJM, pursuant to which Chongqing Sinocop has conditionally agreed to acquire and LBJ and LJM have conditionally agreed to sell 6.75% and 0.75% of the enlarged equity interest in the Target Company respectively
“Equity Transfer Agreements”	the Equity Transfer Agreement 1 and the Equity Transfer Agreement 2 collectively

“Group”	the Company and its subsidiaries
“Investment”	the transaction in which Chongqing Sinocop makes a capital injection to the Target Company and acquires 20% of the enlarged registered capital of the Target Company collectively from LBJ and LJM according to the terms and conditions of the Capital Injection Agreement and the Equity Transfer Agreements respectively
“Investment Framework Agreement”	the investment framework agreement dated 17 November 2014 entered into between Chongqing Sinocop, LBJ and LJM regarding the Investment
“LBJ”	Mr. Liang Ben Ji (梁本基), the legal and beneficial owner of 90% equity interest in the Target Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LJM”	Mr. Liang Jin Ming (梁金明), the legal and beneficial owner of 10% equity interest in the Target Company
“Long Stop Date”	15 January 2015 or such other date as Chongqing Sinocop, LBJ and LJM may agree
“PRC”	the People’s Republic of China
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited

“Target Company” Chongqing Suitong Industrial Company Limited* (重慶穗通實業股份有限公司), a company incorporated in the PRC with limited liability, which, as at the date of this announcement, is owned as to 90% by LBJ and 10% by LJM respectively

“%” per cent

The English names of including but not limited to the PRC entities mentioned in this announcement and marked with “” are translation or transliteration from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.*

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

Hong Kong, 17 November 2014

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