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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)

**TERM SHEET IN RESPECT OF
THE POSSIBLE FORMATION OF A JOINT VENTURE**

The Board hereby announces that on 3 August 2015, CDNET entered into a non-legally binding Term Sheet with PHINERGY in relation to the Possible JV Formation.

If the Possible JV Formation materializes, it may constitute a notifiable and connected transaction of the Company under Chapter 14 and 14A of the Listing Rules and/or may therefore be subject to Shareholders' approval requirement under the Listing Rules. Further announcements in respect of the Possible JV Formation will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

The Company wishes to emphasise that the Possible JV Formation is subject to, among others, the completion of the Demo Project 1 and the signing of the Formal JV Agreement, the terms and conditions of which are yet to be definitively agreed. Shareholders and potential investors of the Company should note that the Possible JV Formation may or may not materialise and the terms of the Possible JV Formation, which are still subject to further negotiations between the parties, have yet to be finalised and may deviate from those set out in the Term Sheet. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares of the Company.

INTRODUCTION

This announcement was made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

TERM SHEET

The Board is pleased to announce that on 3 August 2015, CDNET entered into a non-legally binding Term Sheet with PHINERGY in relation to the Possible JV Formation, the principal terms of which are set out below:

Date

3 August 2015

Parties

- (1) CDNET; and
- (2) PHINERGY

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, PHINERGY is an Independent Third Party and not connected with the Company and its connected persons.

Possible JV Formation

Pursuant to the Term Sheet, the Parties proposed to establish the JV Company in Hong Kong, subject to, among others, the completion of the Demo Project 1 (as defined below). The JV Company will be owned as to 51% by CDNET and 49% by PHINERGY.

Business scope

The JV Company will (1) integrate aluminum-air batteries into energy systems for electric buses, coaches, logistic vehicles and sports utility vehicles; (2) conduct demo projects in its customers' vehicles; and (3) market and sell the integrated energy systems to the PRC, Hong Kong, Macau and Taiwan.

PHINERGY will (1) grant the JV Company a license to service its aluminium-air systems, regenerate their electrolyte and collect their by-products; and (2) supply aluminium-air systems, anodes and controllers to the JV Company;

The Company will (1) supply batteries, battery management system and powertrain related parts to the JV Company; (2) provide or procure financing and industrial expertise to the JV Company; and (3) introduce and facilitate relationship with clients of the JV Company.

Capital contribution and further financing

Pursuant to the Term Sheet, the initial share capital of the JV Company is US\$1 million, which will be provided by CDNET. The Group intends to finance such contribution by its internal resources.

Following the formation of the JV Company, CDNET shall pay PHINERGY up to a sum of US\$18 million (excluding the capital contribution of US\$1 million mentioned above) by stages and different instalments according to the terms of the Formal JV Agreement in consideration of, among others, the commitment to grant its license to the JV Company. The terms of the Formal JV Agreement are yet to be definitively agreed and are subject to the completion of the Demo Project 1. Hence the capital contribution may or may not materialise.

Demo Projects

Prior to the formation of the JV Company, PHINERGY will conduct two projects for the purpose of demonstrating the range extension provided by the energy system which are proposed to be integrated by the JV Company ("**Demo Project 1**" and "**Demo Project 2**", collectively the "**Demo Projects**").

Demo Project 1 will commence within 3 weeks after entering into the Term Sheet and is expected to be completed in approximately six months' time. CDNET will pay US\$1 million as down payment for Demo Project 1. The Demo Project 1 will test the feasibility of a 6 metres electric vehicle with sufficient energy to operate for a range of 1,000 kilometres.

The commencement of Demo Project 2, which will test the feasibility of an 11.5 metres electric vehicle with sufficient aluminium energy to operate for a range of 3,000 kilometres, will be determined by the Parties after the execution of Demo Project 1. Formal and specific engagement letter and statement of work will be entered into separately for each of the Demo Projects.

Conditions

The Possible JV Formation is conditional upon, including but not limited to the following key aspects:

- (1) the satisfaction with the Demo Project 1 by the Parties; and
- (2) the obtaining of any and all necessary legal approval and authorisations by any and all governmental or regulatory authorities required for the Possible JV Formation.

INFORMATION ON THE GROUP

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

INFORMATION ON PHINERGY

PHINERGY, a limited liability company incorporated in State of Israel, is an innovative company developing metal-air energy systems based on its breakthrough air-electrode technology. With its aluminum-air battery, PHINERGY has developed a revolutionary way to generate electricity using aluminum as an energy source. It offers significant advantages, including: high energy density, no polluting emissions, abundant and fully recyclable materials, safety and low cost. PHINERGY has demonstrated its technology on a full electric vehicle, an electric boat and a stationary generator. To the best knowledge and belief of the Board, having made all reasonable enquiries, PHINERGY and its ultimate beneficial owner are third parties independent of the Company and its connected parties.

REASONS FOR, AND ADVANTAGES OF ENTERING INTO THE TERM SHEET

With the increasing public awareness of environmental protection and the PRC government policy relating to saving fuel and reducing vehicular emission, major vehicles manufacturers are actively developing and promoting electric vehicles and hybrid vehicles, leading to a large demand for batteries in such vehicles. The Board recognises the development potentials in the electric vehicles market in the Greater China area, and hence, the demand for batteries.

Due to its enormous energy potential, metal-air technology has been at the forefront of energy research for years. In addition, aluminium-air battery has one of the highest energy densities among all batteries. Electric vehicles with aluminium batteries have the potential for up to eight times the range of those with lithium-ion battery with a significantly lower total weight. PHINERGY's technological breakthroughs allow it to efficiently utilise this potential for various applications, outperforming conventional batteries.

The Board considers that, through the Term Sheet, both parties shall be able to form a win-win and sustainable strategic partnership, and integrate each other's advantages and resources so as to create higher commercial value for each other. Therefore, entering of the Term Sheet is in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

If the Possible JV Formation materializes, it may constitute a notifiable and connected transaction of the Company under Chapter 14 and 14A of the Listing Rules and/or may therefore be subject to Shareholders' approval requirement under the Listing Rules. Further announcements in respect of the Possible JV Formation will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

GENERAL

The Company wishes to emphasise that the Possible JV Formation is subject to, among others, the completion of the Demo Project 1 and the signing of the Formal JV Agreement, the terms and conditions of which are yet to be definitively agreed. Formal and specific written agreements shall be entered into separately for each of the Demo Projects and the formation of the JV Company to set out specific content of terms and otherwise. Shareholders and potential investors of the Company should note that the Possible JV Formation may or may not materialise and the terms of the Possible JV Formation, which are still subject to further negotiations between the parties, have yet to be finalised and may deviate from those set out in the Term Sheet. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares of the Company.

DEFINITIONS

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

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| “associate” | has the same meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “CDNET” | China Dynamics New Energy Technology (International) Company Limited, a company incorporated in the British Virgin Islands with limited liability and is a 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) |
| “Director(s)” | director(s) of the Company |

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| “Formal JV Agreement” | a formal joint venture agreement to be entered into by the Parties and be executed in relation to the Possible JV Formation |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Parties” | party(ies) who is/are (i) not a connected person of the Company and (ii) independent of and not connected with any of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates |
| “JV Company” | a company to be established in Hong Kong with limited liabilities by the Parties if the Possible JV Formation materialises |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Macau” | Macau Special Administrative Region of the PRC |
| “Parties” | the parties to the Term Sheet, being CDNET and PHINERGY |
| “PHINERGY” | Phinergy Limited, a limited liability company incorporated in State of Israel, together with its worldwide affiliates |
| “Possible JV Formation” | the possible formation of a joint venture company in Hong Kong |
| “PRC” | the People’s Republic of China and for the sole purpose of this announcement shall exclude Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan |

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| “RMB” | Renminbi Yuan, the lawful currency of the PRC |
| “Share(s)” | ordinary shares in the capital of our Company with a nominal value of HK\$0.01 each |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | the Stock Exchange of Hong Kong Limited |
| “US\$” | United States dollars, the lawful currency of the United States of America |
| “%” | per cent |

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

Hong Kong, 3 August 2015

As at the date of this announcement, the Board comprises two executive Directors, namely Messrs. Cheung Ngan and Lai Kwok Wai, 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.