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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)**

## **VOLUNTARY ANNOUNCEMENT**

The board of directors (the “**Board**”) of China Dynamics (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce that on 17 May 2016 (after trading hours), the Company has signed a non-legally binding investment agreement (the “**Investment Agreement**”) and a supplemental agreement (the “**Supplemental Agreement**”) with Chongqing Qijiang District Industrial Zone Administrative Committee\* (重慶綦江工業園區管理委員會) (the “**Committee**”).

### **THE INVESTMENT AGREEMENT**

#### **Date of the Investment Agreement**

17 May 2016

#### **Parties of the Investment Agreement**

Purchaser: The Company

Vendor: The Committee

## **Asset to be acquired**

Pursuant to the Investment Agreement, the Company agreed to acquire and the Committee agreed to transfer a parcel of land for industrial purposes in the Qijiang District, Chongqing with a size of approximately 800 mu (the “**Land**”).

## **Consideration**

The consideration for the Land is RMB90,000 (equivalent to approximately HK\$107,000) per mu.

## **Payment terms**

A deposit of RMB3 million (equivalent to approximately HK\$3.6 million) shall be paid to the Committee within 15 business days after the date of the Investment Agreement. The remaining balance shall be paid upon the completion of the transfer procedure of the Land.

## **Expected timeline**

The Investment Agreement outlines the construction plan of a new production facility for the manufacture of new energy vehicles with an annual production capacity of 5,000 vehicles (the “**Project**”), which consists of two phrases. Detail of the expected timetable of the Project is as follows:

- (i) the Company shall set up a new subsidiary in Qijiang for the Project (the “**New Qijiang Subsidiary**”) within 15 business days after the date of the Investment Agreement;
- (ii) approximately 500 mu (the “**First Phrase Land**”) is expected to be transferred to the Group in June 2016 and the remaining area will be transferred to the Group upon the commencement of the Project;

- (iii) the first phrase construction of the Project is expected to commence within six months after the acquisition of the First Phrase Land and to be completed within eighteen months upon the acquisition of the First Phrase Land;
- (iv) the second phrase construction of the Project is expected to commence within three years after the production of the new production facility; and
- (v) the second phrase construction of the Project is expected to be completed within eighteen months upon commencement of the construction.

### **Intended investment**

The total investment amount of the Project is estimated to be approximately RMB100 million to RMB200 million (equivalent to approximate HK\$119.0 million to HK\$238.1 million), including but not limited to, the consideration of the Land and the construction cost of the production plant and facilities. The investment cost will be financed by governmental subsidies as stated in the Supplemental Agreement and internal resources of the Group in future. Shall the Group fail to proceed and complete the Project, the Committee has the right to terminate the Investment Agreement and acquire back the Land from the Group at a consideration equal to the consideration of the Land.

### **Other major terms and conditions**

Save as disclosed above, the principal terms of the Investment Agreement are as follows:

- (i) If the land receipt notice is not signed within 15 business days upon the issuance from the Committee, the Committee has the right to adjust the consideration or terminate the Investment Agreement; and
- (ii) The Company shall enjoy the preferential policy treatment in accordance to the <<Qijiang Committee Issuance of [2013] No.1 Document>>. To qualify for the preferential policy treatment, the revenue to be incurred under the Project will be subject to the taxation in the Chongqing Qijiang District Industrial Zone.

# THE SUPPLEMENTAL AGREEMENT

## Date of the Supplemental Agreement

17 May 2016

## Parties of the Supplemental Agreement

Party A: The Committee

Party B: (a) The Company;

(b) The New Qijiang Subsidiary; and

(c) Chongqing Suitong New Energy Vehicle Production Co. Ltd. (“**Suitong**”), a subsidiary of the Company.

The Supplemental Agreement is the framework of the arrangement and subsidies in facilitating the development of the Project including but not limited to the followings:

### (i) Rent-free production facilities

The Committee shall provide, on a rent-free basis, the production facility to the New Qijiang Subsidiary for the production of new energy vehicles before the completion of the Project;

### (ii) Subsidies

The Committee shall subsidize the New Qijiang Subsidiary for the development of the Project and the research and development of new energy vehicles. In order to qualify for such subsidies, the Project shall produce 2,000 vehicles within two years upon the commencement of the Project;

### (iii) Preferential tax treatment

The Group shall enjoy preferential tax treatment for its subsidiaries operating the Project in the Qijiang District; and

**(iv) Promotion of new energy vehicles**

The Committee shall purchase 150 electric buses from the New Qijiang Subsidiary over years and further negotiate with other entities to purchase the new energy vehicles from the New Qijiang Subsidiary.

**REASONS FOR AND BENEFITS OF THE INVESTMENT AGREEMENT AND SUPPLEMENTAL AGREEMENT**

The production license of Chongqing Suitong, a subsidiary of the Company, is for the production of pure electric logistic vehicles, 6-meters pure electric bus and the 10.5-meters pure electric bus.

The entering into the Investment Agreement and the Supplemental Agreement is a milestone of introducing the new energy vehicles developed by the Group into mass production with an annual production capacity of 5,000 vehicles. The securing of a sizeable order from the Committee is also expected to bring a positive impact on the Group's income source. The Group will continue and is looking forward working with the Committee in promoting the new energy vehicles in Chongqing.

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

Hong Kong, 17 May 2016

*As at the date of this announcement, the Board comprises two executive Directors, namely Messrs. Cheung Ngan and Ms. Chan Hoi Ying, two non-executive Directors, namely Messrs. 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.*

\* *For identification purpose only*