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FDG Electric Vehicles Limited
五龍電動車(集團)有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 729)

VOLUNTARY ANNOUNCEMENT
FORMATION OF JOINT VENTURE

This announcement is made by FDG Electric Vehicles Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis.

The board of the directors (the “**Directors**”) of the Company is pleased to announce that on 8 May 2016, the Company and Guian New Area Management Committee* (貴安新區管理委員會) (“**Guian Committee**”) of the Guizhou Provincial People’s Government of the People’s Republic of China entered into a cooperation agreement (the “**Agreement**”) in relation to the investment in and construction of pure electric vehicles production facilities in Guian New Area, Guizhou, People’s Republic of China (the “**Project**”).

Pursuant to the Agreement, the Group and Guian Committee agreed to collaborate in the Project through a jointly-owned company (the “**Project Company**”), with a registered capital of RMB1,100,000,000, as follows:

Contributing party	Amount to be contributed	Interest in the Project Company
Guian Committee (through its designee)	RMB539,000,000	49%
The Company and its designee	RMB561,000,000	51%

The purpose of the Project is to build production lines and testing lines for pure electric passenger and logistics vehicles covering stamping, welding, painting and assembly, together with production lines and ancillary facilities for core parts including assemblies of wheel rim motor drive axle, power battery pack and electrical control integration system, with a view to building a comprehensive new energy automobile system with an annual production capacity of 150,000 pure electric vehicles and supporting components. The specific vehicle models and respective production capacities to be developed will be further determined by the parties.

Pursuant to the Agreement, Guian Committee shall, among other things:

1. be responsible for providing the land premises and constructing the manufacturing facility for the Project and shall lease the land and the manufacturing facility constructed thereon to the Project Company, which will be granted a rent-free period for three years since completion and use of the manufacturing facility;
2. subject to the terms and conditions of the Agreement, provide not more than RMB1,000,000,000 by installments to the Company for funding and supporting the research and development of new product models for the Project;
3. during the six-year period from 2015 to 2020, promote and procure the purchase by the government and enterprises of not less than 2,665 FDG series pure electric commercial vehicles (of which at least 1,000 are large and mid-size buses); and
4. assist with arranging future financing of the Project Company.

INFORMATION ABOUT GUIAN COMMITTEE

Guian Committee is an agency of the Guizhou Provincial People's Government and, under the leadership of the Guizhou Provincial People's Government and Guizhou Guian New Area Planning Construction Group* (貴州貴安新區規劃建設領導小組), is responsible for coordinating and facilitating the planning, development and construction works of Guian New Area, Guizhou, People's Republic of China ("PRC").

REASONS FOR AND BENEFITS OF THE AGREEMENT

The Group is a vertically integrated electric vehicle manufacturer which primarily engages in (i) independent research and development, design and production of electric vehicles such as buses, coaches, mid-size buses, commercial vehicles, passenger vehicles and other special purpose models; (ii) the research and development, production, distribution and sale of lithium-ion batteries; (iii) the research and development, production, distribution and sale of cathode materials for lithium-ion battery; and (iv) the provision of leasing services for electric vehicles. The Group operates electric vehicles manufacturing plants in Hangzhou and Kunming in the PRC and also operates battery manufacturing plants in Tianjin and Jilin in the PRC.

The Directors are of the view that the cooperation with Guian Committee in the Project is an invaluable opportunity for the Group to develop its electric vehicles business in Guizhou, the PRC and to strategically position itself to capture the continual growing electric vehicle market, thereby enhancing its profitability and achieving a better return for the shareholders of the Company. In addition, it will help the Group in expanding its product portfolio. The Group intends to use part of the funding from Guian Committee to complete the development of its light to medium duty electric vehicle platform.

The entering into of the Agreement is in line with the business of the Group and is in the interests of the Company and its shareholders as a whole.

GENERAL

Pursuant to Rule 14.04(1)(f) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the formation of the joint venture contemplated under the Agreement is exempt from the requirements of Chapter 14 of the Listing Rules for the following reasons:

1. the joint venture arrangement contemplated under the Agreement is to invest in and construct pure electric vehicles production facilities in Guian New Area, Guizhou, PRC; the joint venture will be engaging in a single purpose project which is of a revenue nature in the ordinary and usual course of business of the Company;
2. the above joint venture arrangement is on an arm’s length basis and on normal commercial terms; and
3. the Agreement sets out the nature or scope of the business of the Project Company, which cannot be changed without unanimous consent of parties to the Agreement.

This announcement is made by the Company on a voluntary basis to keep shareholders and potential investors of the Company informed of the Group’s latest business development.

By Order of the Board
FDG Electric Vehicles Limited
Jaime Che
Executive Director

Hong Kong, 8 May 2016

As of the date of this announcement, the board of Directors comprises Mr. Cao Zhong (Chairman and Chief Executive Officer), Mr. Miao Zhenguo (Deputy Chairman), Dr. Chen Yanping (Chief Operating Officer), Mr. Lo Wing Yat and Mr. Jaime Che (Vice President) as executive Directors; and Mr. Chan Yuk Tong, Mr. Fei Tai Hung and Mr. Tse Kam Fow as independent non-executive Directors.

Website: <http://www.fdgev.com>

** for identification purposes only*