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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

This announcement is made by the Company on a voluntary basis.

Reference is made to the announcement of the Company dated 4 May 2015.

In May 2015, the Company formed the JV with Smith in the US to sell Electric Vehicles by leveraging the Group's Electric Vehicle designs and combining it with Smith's technologies and sales network. The Company and Smith entered into the FDG Contribution Agreement and the Smith Contribution Agreement with the JV respectively on 4 May 2015 in this regard.

On 25 November 2015, FDG Strategic Investment and Smith entered into the Debt Conversion Agreement, pursuant to which FDG Strategic Investment agreed to discharge and cancel Smith's debt obligations with respect to the Debenture Judgments and, in consideration therefor, Smith agreed to transfer and assign the Conversion Shares to FDG Strategic Investment. Closing of the Debt Conversion Agreement took place on 25 November 2015. Following closing of the Debt Conversion Agreement, the JV was owned as to approximately 52.00% by the Group and as to approximately 48.00% by Smith. The JV was accounted for as a joint venture of the Group and its financial information would not be consolidated into the consolidated financial statements of the Group as the Group did not control the board of the JV.

Pursuant to the Loan Agreement dated 11 December 2015, FDG Strategic Investment provided a loan to Smith in the principal amount of US\$2,000,000 and Smith granted the Collateral, being 10,000,000 JV Shares held by Smith, to FDG Strategic Investment to secure the payment and performance of the indebtedness owed by Smith to FDG Strategic Investment under the Loan Agreement.

On 26 February 2016, FDG Strategic Investment foreclosed upon the Collateral following the occurrence of an event of default by Smith under the Loan Agreement and the Collateral was transferred from Smith to FDG Strategic Investment. As a result of the Foreclosure, the JV was owned as to approximately 78.67% by the Group and as to approximately 21.33% by Smith. It remained to be accounted for as a joint venture of the Group and its financial information would be accounted for using equity method in the consolidated financial statements of the Group as the Group did not control the board of the JV.

Since the inception of the JV in April last year, the Group, Smith and the JV have been collaborating in launching the Group-designed electric panel van and passenger van in the US market. The JV has been focusing on its effort to finalize homologation of a panel van and passenger van designed by the Group to comply with the standards of the Department of Transportation of the US, which is expected to be completed by June 2016. The JV is also building up a robust marketing and sales campaign for the panel van and the passenger van. The Group has sent two marketing vehicles to the US for the JV to do roadshows and showcase the Group's quality products.

DEFINITIONS

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

“Collateral”	10,000,000 JV Shares, held by Smith that were transferred to FDG Strategic Investment upon Foreclosure following the occurrence of an event of default by Smith under the Loan Agreement;
“Company”	FDG Electric Vehicles Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 729);
“Conversion Shares”	2,000,000 JV Shares, held by Smith that were transferred to FDG Strategic Investment upon closing of the Debt Conversion Agreement;
“Debenture Judgments”	the debenture judgments against Smith in an amount of approximately US\$2 million that were assumed by the Company and assigned to FDG Strategic Investment;
“Debt Conversion Agreement”	the debt conversion agreement dated 25 November 2015 entered into between FDG Strategic Investment and Smith in relation to the conversion of the Debenture Judgments into the Conversion Shares;
“Director(s)”	the director(s) of the Company;
“Electric Vehicle(s)”	motor vehicle that is primarily propelled by the power of electricity, in whatever form or size and for whatever purpose, including but not limited to car, bus, school bus, coach, truck, light truck, utility vehicle, motorcycle and bike;
“FDG Contribution Agreement”	the contribution agreement dated 4 May 2015 entered into between the Company and the JV in relation to the contribution of certain assets by the Company to the JV;
“FDG Strategic Investment”	FDG Strategic Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company;

“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“JV”	Orng EV Solutions, Inc., a company incorporated under the laws of the State of Delaware;
“JV Shares”	shares of common stock, par value US\$0.0001 of the JV;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan Agreement”	the loan agreement dated 11 December 2015 entered into between FDG Strategic Investment as lender and Smith as borrower in relation to a US\$2,000,000 loan;
“Smith”	Smith Electric Vehicles Corp, a company incorporated under the laws of the State of Delaware, in the US, and is owned as to approximately 10.38% on a fully diluted basis by the Company as of the date of this announcement;
“Smith Contribution Agreement”	the contribution agreement dated 4 May 2015 entered into between Smith and the JV in relation to the contribution of certain assets by Smith to the JV;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US”	the United States of America;
“US\$”	United States dollar, the lawful currency of the US; and
“%”	per cent.

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

Hong Kong, 28 February 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>