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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)

EXEMPT CONNECTED TRANSACTION

ENTERING INTO PREMISES LEASE AGREEMENT

The Board is pleased to announce that on 1 September 2017, Yunnan FDG (as lessee) and Yunnan Meidi (as lessor) entered into a Premises Lease Agreement in relation to the lease of the Premises.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Yunnan FDG is an indirect non-wholly owned subsidiary of the Company of which 50% of its equity interest is owned by the Group and the other 50% equity interest is owned by Yunnan Meidi, which is owned as to more than 30% by a director of a subsidiary of the Company. As Yunnan Meidi is a substantial shareholder of Yunnan FDG and also an associate of a director of a subsidiary of the Company, Yunnan Meidi is a connected person of the Company at the subsidiary level. As such, the transactions contemplated under the Premises Lease Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. None of the Directors has a material interest in the transactions contemplated under the Premises Lease Agreement or is required to abstain from voting on the board resolutions for approval of the Premises Lease Agreement.

Given that (i) the Board (including the independent non-executive Directors) has approved the Premises Lease Agreement and the transactions contemplated thereunder; and (ii) the Directors (including independent non-executive directors) have confirmed that the terms of the Premises Lease Agreement and the transactions contemplated thereunder are fair and reasonable, and that the aforementioned transactions are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the transactions contemplated under the Premises Lease Agreement are subject to reporting and announcement requirements only but are exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

THE PREMISES LEASE AGREEMENT

The Board is pleased to announce that on 1 September 2017, Yunnan FDG (as lessee) and Yunnan Meidi (as lessor) entered into a Premises Lease Agreement in relation to the lease of the Premises. The principal terms of the Premises Lease Agreement are set out as follows:

- Date** : 1 September 2017
- Parties** : (1) Yunnan Meidi (as lessor); and
(2) Yunnan FDG (as lessee).
- Premises** : southwestern side of the main line at Kunming High Tech Industrial Development Zone, Kunming, Yunnan Province, PRC with area of 184,636.37 m² comprising of a 3-storey office building and other structures.
- Term** : 1 April 2017 to 31 March 2018.
- Rent** : RMB40,000,000 shall be payable at the end of the term of the lease.
- Principal use** : The Premises shall be used as offices of Yunnan FDG and for manufacture and distribution of electric vehicles and its related parts and components. The principal use of the Premises shall not be changed without Yunnan Meidi's written consent.
- Security deposit** : Within 5 business days after the date of the Premises Lease Agreement, Yunnan FDG shall pay a refundable security deposit of RMB4,000,000 to Yunnan Meidi which may be applied as remedy for any breach of the terms of the Premises Lease Agreement by Yunnan FDG including but not limited to late payment of the rent.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PREMISES LEASE AGREEMENT

The Premises has been leased to Yunnan FDG for manufacture and distribution of electric vehicles and its related parts and components since 2014. Entering into the Premises Lease Agreement allows Yunnan FDG to continue its business operations of manufacture and distribution of electric vehicles.

The terms of the Premises Lease Agreement are negotiated on an arm's length basis and the rent was determined with reference to the prevailing market rental rates. The Board (including the independent non-executive Directors) is of the view that the terms of the Premises Lease Agreement (including the rent) are fair and reasonable and the transactions are on normal commercial terms or better, and are in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES INVOLVED

Yunnan FDG is a company incorporated under the laws of the PRC with limited liability. It is principally engaged in manufacture and distribution of electric vehicles. Yunnan FDG is a 50% subsidiary of the Company.

Yunnan Meidi is a company incorporated under the laws of the PRC with limited liability. Its principal businesses include the investment in vehicles industry, sales of vehicles, manufacture and sales of vehicle's parts and components and its related products and the provision of investment consulting services.

The Group is an integrated electric vehicle manufacturer. It is principally engaged in (i) research and development, design, manufacture and sale of electric vehicles; (ii) leasing of electric vehicles; (iii) research and development, production and sale of lithium-ion batteries and related products; (iv) research and development, manufacture and sale of cathode materials for lithium-ion batteries; and (v) direct investments.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Yunnan FDG is an indirect non-wholly owned subsidiary of the Company of which 50% of its equity interest is owned by the Group and the other 50% equity interest is owned by Yunnan Meidi, which is owned as to more than 30% by a director of a subsidiary of the Company. As Yunnan Meidi is a substantial shareholder of Yunnan FDG and also an associate of a director of a subsidiary of the Company, Yunnan Meidi is a connected person of the Company at the subsidiary level. As such, the transactions contemplated under the Premises Lease Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. None of the Directors has a material interest in the transactions contemplated under the Premises Lease Agreement or is required to abstain from voting on the board resolutions for approval of the Premises Lease Agreement.

Given that (i) the Board (including the independent non-executive Directors) has approved the Premises Lease Agreement and the transactions contemplated thereunder; and (ii) the Directors (including independent non-executive directors) have confirmed that the terms of the Premises Lease Agreement and the transactions contemplated thereunder are fair and reasonable, and that the aforementioned transactions are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the transactions contemplated under the Premises Lease Agreement are subject to reporting and announcement requirements only but are exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;

“Company”	FDG Electric Vehicles Limited, a company incorporated under the laws of Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (Stock Code: 729);
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Premises”	southwestern side of the main line at Kunming High Tech Industrial Development Zone, Kunming, Yunnan Province, PRC with area of 184,636.37 m ² comprising of a 3-storey office building and other structures;
“Premises Lease Agreement”	the premises lease agreement dated 1 September 2017 entered into between Yunnan Meidi (as lessor) and Yunnan FDG (as lessee) in relation to the lease of the Premises;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of the ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“Yunnan FDG”	Yunnan FDG Automobile Co., Limited* (雲南五龍汽車有限公司), a limited liability company incorporated under the laws of the PRC, and a 50% subsidiary of the Company;

“Yunnan Meidi”

Yunnan Meidi Vehicle Assets Holding Limited* (雲南美的汽車產業控股有限公司), a limited liability company incorporated under the laws of the PRC; and

“%”

per cent.

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

Hong Kong, 1 September 2017

As at the date of this announcement, the Board comprises Mr. Cao Zhong (Chairman and Chief Executive Officer), Mr. Miao Zhenguo (Deputy Chairman), Mr. Tong Zhiyuan (Chief Operating Officer), Dr. Chen Yanping (Chief Technical Officer), Mr. Lo Wing Yat and Mr. Jaime Che (Vice President) as executive directors; Mr. Wong Kwok Yiu as non-executive director; and Mr. Chan Yuk Tong, Mr. Fei Tai Hung, Mr. Tse Kam Fow and Mr. Xu Jingbin as independent non-executive directors.

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

** for identification purpose only*