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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

BUSINESS UPDATE

This is a voluntary announcement of FDG Electric Vehicles Limited (the “**Company**”).

On 15 November 2017, Hangzhou Changjiang Automobile Co., Ltd.* 杭州長江汽車有限公司 (“**Hangzhou Changjiang**”, an indirect non-wholly owned subsidiary of the Company), Tianjin Sinopoly New Energy Technology Co., Ltd.* 天津中聚新能源科技有限公司 (“**Tianjin Sinopoly**”, an indirect non-wholly owned subsidiary of the Company), the People’s Government of Jianyang* 簡陽市人民政府 (the “**First JV Partner**”) and Kunlun Stone (Shenzhen) Investment Fund Management Co., Ltd.* 昆侖石（深圳）投資基金管理有限公司 (the “**Second JV Partner**”, together with the First JV Partner, the “**JV Partners**”) entered into an agreement (the “**Agreement**”) in relation to:

- i. the establishment of an electric vehicle joint venture (the “**EV Joint Venture**”) in Jianyang, Chengdu, Sichuan Province, the People’s Republic of China (the “**PRC**”); and
- ii. the establishment of a lithium-ion battery joint venture (the “**Battery Joint Venture**”, together with the EV Joint Venture, the “**Joint Ventures**”) in Jianyang, Chengdu, Sichuan Province, the PRC.

The principal terms of the Agreement are set out below.

(1) The EV Joint Venture

i. Capital contribution and equity holding

The registered capital of the EV Joint Venture is RMB800 million. The contribution to the registered capital by, and the equity holding in the EV Joint Venture of, the parties are set out below:

	Contribution to the registered capital	Equity holding
1. Hangzhou Changjiang or its nominee	RMB408 million	51%
2. The First JV Partner or its nominee	RMB240 million	30%
3. The Second JV Partner or its nominee	<u>RMB152 million</u>	<u>19%</u>
Total:	RMB800 million	100%

The capital commitment of Hangzhou Changjiang or its nominee to the EV Joint Venture is capped at RMB408 million. Any further funding needs of the EV Joint Venture for the construction will be the responsibility of the JV Partners.

ii. Subject matter

The EV Joint Venture will be engaged in the production of electric vehicles with an annual production capacity of 400,000 units. The first phase involves the construction of production lines of passenger vehicles, sport-utility vehicles (SUVs) and multi-purpose vehicles (MPVs) with an annual production capacity of 100,000 units. The EV Joint Venture is expected to commence production before 30 December 2019. Details of further construction of production lines will be calibrated having regards to the then market conditions.

(2) The Battery Joint Venture

i. Capital contribution and equity holding

The registered capital of the Battery Joint Venture is RMB200 million. The contribution to the registered capital by, and the equity holding in the Battery Joint Venture of, the parties are set out below:

	Contribution to the registered capital	Equity holding
1. Tianjin Sinopoly or its nominee	RMB102 million	51%
2. The First JV Partner or its nominee	RMB60 million	30%
3. The Second JV Partner or its nominee	<u>RMB38 million</u>	<u>19%</u>
Total:	RMB200 million	100%

The capital commitment of Tianjin Sinopoly or its nominee to the Battery Joint Venture is capped at RMB102 million. Any further funding needs of the Battery Joint Venture for the construction will be the responsibility of the JV Partners.

ii. Subject matter

The Battery Joint Venture will be engaged in the production of lithium-ion batteries with an annual production capacity of 4GwH. The first phase involves the construction of production lines of lithium-ion batteries with an annual production capacity of 1GwH. The Battery Joint Venture is expected to commence production

before 30 December 2019. Details of further construction of production lines will be calibrated having regards to the then market conditions.

(3) Other terms of the Agreement

i. Preferred supplier

The First JV Partner has undertaken to sell and promote the sale of 10,000 electric buses in Sichuan Province, the PRC.

The EV Joint Venture will be the preferred supplier to the First JV Partner for large-size buses, mid-size buses and government official vehicles.

ii. Licensing fee

The First JV Partner will pay certain licensing fee to Hangzhou Changjiang and Tianjin Sinopoly for the use of certain technologies by the Joint Ventures within one month of the date of the Agreement.

iii. Support in research and development

The First JV Partner has undertaken to provide funding in the amount of RMB1.3 billion in support of the research and development of the Joint Ventures.

The Joint Ventures will become indirect non-wholly owned subsidiaries of the Company.

The board of the Company considers that the formation of the Joint Ventures will allow the Company and its subsidiaries (the “**Group**”) to utilize the expertise and business connections of the respective parties to the Agreement and facilitate the Group’s expansion and development in the business of manufacturing and sale of electric vehicles and lithium-ion batteries in the PRC. The local governmental support, the commitment by the First JV Partner to sell electric buses in Sichuan Province, the PRC and the selection of the EV Joint Venture as the preferred supplier to the First JV Partner are expected to increase the revenue and profit streams of the Group, which will be beneficial to the Group and the shareholders of the Company as a whole.

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

Hong Kong, 16 November 2017

As at the date of this announcement, the board of directors 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 purposes only*