FDG Electric Vehicles Limited

五龍電動車（集團）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 729)

DISCLOSEABLE TRANSACTION AND EXEMPT CONNECTED TRANSACTION

DISPOSAL OF A SUBSIDIARY

The Company hereby announces that on 3 May 2018, the Vendor, the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the entire issued share capital of Giant Industry Holdings Limited, which indirectly holds a 50% interest in the Yunnan Company, for a consideration of RMB80,000,000, and the Company agreed to provide a guarantee for the performance of the Vendor's obligation under the Sale and Purchase Agreement. Upon completion of the above disposal, the Company will not hold any shares in Giant Industry Holdings Limited and accordingly, it will cease to be an indirect wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) for the disposal exceed 5% but are less than 25%, the disposal constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

On the date of the Sale and Purchase Agreement, the shareholder controlling 50% of the issued share capital of the Yunnan Company (who is also a director of the Yunnan Company) has provided a counter indemnity to the Vendor in respect of certain payments by the Vendor to the Purchaser under the Sale and Purchase Agreement, and such shareholder is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules. The Board has approved the counter indemnity and the independent non-executive Directors have confirmed that the terms of the counter indemnity are fair and reasonable, on normal commercial terms and in the interests of the Company and the shareholders of the Company as a whole. The counter indemnity is subject to the reporting and announcement requirements, but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules. No Director is considered to have material interest in the counter indemnity and therefore no Director was required to abstain from voting on the Board resolutions approving the counter indemnity.

The Company hereby announces that on 3 May 2018, the Vendor, the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the entire issued share capital of Giant Industry Holdings Limited, which indirectly holds a 50% interest in Yunnan FDG Automobile Co., Ltd.* (雲南五龍汽車有限公司)(the "**Yunnan Company**"), for a consideration of RMB80,000,000, and the Company agreed to provide a guarantee for the performance of the Vendor's obligation under the Sale and Purchase Agreement. Details of the Sale and Purchase Agreement are as follows.

SALE AND PURCHASE AGREEMENT

Date of the Sale and Purchase Agreement

3 May 2018

Parties to the Sale and Purchase Agreement

(1) Preferred Market Limited, a wholly-owned subsidiary of the Company (as Vendor);

(2) the Company (as guarantor for the Vendor); and

(3) Hong Kong ShengHai DeYong Investment Limited (as Purchaser)

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected person(s).

Information on the Asset

The entire issued share capital of Giant Industry Holdings Limited (an indirect wholly-owned subsidiary of the Company, together with its subsidiaries, the "**Giant Industry Group**"), comprising ten shares. Giant Industry Holdings Limited is the indirect holding company for the 50% stake in the Yunnan Company.

Consideration

The completion date of the Sale and Purchase Agreement was 3 May 2018, being the date of the Sale and Purchase Agreement, and on which approximately HK$61,713,157 (being the HK$ equivalent to RMB50,000,000 based on the mid-point of bid and ask exchange rates (offshore) quoted by Bank of China (Hong Kong) Limited at or around 4:00 p.m. on 2 May 2018) was paid. The remaining RMB30,000,000 of the consideration is payable not later than the 90th day after the date of the Sale and Purchase Agreement, i.e. 1 August 2018. Such balance has been placed in an earmarked account of the Purchaser pending payment. Payment of the earmarked amount is subject to certain deductions in the event of breach of warranties or covenants provided to the Purchaser.

The consideration for the sale and purchase was determined after arm's length negotiations having taken into account the prospects of the Yunnan Company and the state of development of its business.

The accounts payable of the Yunnan Company, less its accounts receivable, have been guaranteed to be no more than RMB140,000,000 as at the completion date, and the excess will be deducted from the balance of the consideration payable. If certain accounts receivable are not recovered by the Yunnan Company within one year, the Vendor shall pay the Yunnan Company the unrecovered amount and be entitled to sue the relevant debtor. A counter indemnity has been provided by the other 50% shareholder of the Yunnan Company to the Vendor in respect of the amounts so paid by the Vendor to the Yunnan Company. The Vendor has also agreed to waive, discharge or write off approximately RMB227,000,000 of amounts owed by the Yunnan Company to members of the Group on the basis that the Yunnan Company shall bear the tax consequences of such waiver, discharge or write off.

License of Associated Brand and Trademarks

As part of the transaction, the Company and its relevant subsidiaries will provide a royalty free license to the Yunnan Company to use in the PRC, until the third anniversary of the date of the Sale and Purchase Agreement, i.e. 3 May 2021, the intellectual property rights, including the brand name and trademarks associated with certain designated models of the "Changjiang Automobile" or "長江汽車" line of electric vehicles for manufacture, sale and the provision of after-sales services. In the event that the balance of the consideration is not paid by the Purchaser pursuant to the Sale and Purchase Agreement, then the Company shall have the right to terminate such license. The Vendor will continue to handle the after-sales servicing of electric vehicles and parts for a period expiring 90 calendar days after the date of completion of the Sale and Purchase Agreement.

The Vendor has further agreed that it will not until the third anniversary of the date of the Sale and Purchase Agreement, i.e. 3 May 2021, register, manufacture and/or produce any new energy vehicles in Yunnan Province, the PRC, which would share (i) the similar brand, functions and/or specifications of certain designated models of the motor vehicles under the brand names of "Changjiang Automobile" or "長江汽車" or (ii) the similar model and designs of other motor vehicles as licensed to Yunnan Company.

FINANCIAL IMPACT AND USE OF PROCEEDS

The Group expects to record an unaudited loss of approximately HK$177,000,000 as a result of this disposal, which represents the difference between (i) the consideration; and (ii) the sum of the Group's share of the unaudited net liabilities value of the Giant Industry Group as at 31 March 2018 of approximately HK$95,000,000, the provision for impairment of receivables from the Group by the Giant Industry Group, the provision of associated goodwill and the estimated expenses to be incurred from the disposal.

The above figures are for illustrative purpose only. The actual loss in connection with the disposal will be determined based on net consideration received, the financial position of the Giant Industry Group at completion, the fair value of the license of associated brand and trademarks and subject to the review and final audit by the auditors of the Company.

The net proceeds from the disposal are intended to be used for general working capital purpose.

Upon completion of the above disposal, the Company will not hold any shares in Giant Industry Holdings Limited and accordingly, it will cease to be an indirect wholly-owned subsidiary of the Company.

The financial information of the Giant Industry Group for the two financial years immediately preceding the disposal is set out below:

	For the financial year ended 31 March 2017 *(audited)* *HK$'000*	For the financial year ended 31 March 2018 *(unaudited)* *HK$'000*
Loss before tax	(3,689)	(82,920)
Loss after tax	(3,476)	(82,413)

The unaudited net liabilities value of the Giant Industry Group as at 31 March 2018 was approximately HK$189,000,000.

REASONS AND BENEFITS FOR DISPOSAL

The Group's current strategy is to focus its capital and resources on business units which are likely to bring positive cash flow in the near term. Based on the past track records of the Giant Industry Group, the Giant Industry Group has been loss making for the past few years. The rent-free period of the land for the production base in the Yunnan Province, the PRC, has ended and the Yunnan Company has started to pay rent for the land which further increases the strain on its cash flow. Disposing the Giant Industry Group can help the Group to reduce the strain on cash flow and focus its resources on imminent cash generating units. Furthermore, the Giant Industry Group's main products are electric buses which could also be manufactured by the Company's other production bases or through original equipment manufacturer. Taking into consideration of (i) the past loss-making financial results of the Giant Industry Group and (ii) the replaceability of the manufacturing capability of the production base under the Giant Industry Group, the Company considers that the disposal of the Giant Industry Group would be beneficial to the Group for it to focus its resources on other imminent cash generating units. Accordingly, the Directors consider that this is a good opportunity for the Company to enhance its working capital for existing business and operations.

The Directors consider that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and in the interest of the Company and its shareholders as a whole.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Hong Kong and is principally engaged in the business of investment holding.

INFORMATION ON THE GROUP

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

LISTING RULES IMPLICATIONS

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On the date of the Sale and Purchase Agreement, the shareholder controlling 50% of the issued share capital of the Yunnan Company (who is also a director of the Yunnan Company) has provided a counter indemnity to the Vendor in respect of certain payments by the Vendor to the Purchaser under Sale and Purchase Agreement, and such shareholder is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules. The Board has approved the counter indemnity and the independent non-executive Directors have confirmed that the terms of the counter indemnity are fair and reasonable, on normal commercial terms and in the interests of the Company and the shareholders of the Company as a whole. The counter indemnity is subject to the reporting and announcement requirements, but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules. No Director is considered to have material interest in the counter indemnity and therefore no Director was required to abstain from voting on the Board resolutions approving the counter indemnity.

DEFINITIONS

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

"Board"	the board of Directors;
"Company"	FDG Electric Vehicles Limited, a limited liability company incorporated under the laws of Bermuda, 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;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"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, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;
"Purchaser"	Hong Kong ShengHai DeYong Investment Limited;

"RMB"	Renminbi, the lawful currency of the PRC;
"Sale and Purchase Agreement"	the sale and purchase agreement dated 3 May 2018 made by the Vendor, the Company and the Purchaser in relation to the sale and purchase of the ten shares in Giant Industry Holdings Limited;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Vendor"	Preferred Market Limited, a wholly-owned subsidiary of the Company; and
"%"	per cent.

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

Hong Kong, 3 May 2018

As at the date of this announcement, the Board comprises Mr. Cao Zhong (Chairman and Chief Executive Officer), Mr. Miao Zhenguo (Deputy Chairman), Dr. Chen Yanping (Chief Technical Officer), Mr. Lo Wing Yat and Mr. Jaime Che (Senior Vice President) as executive Directors; Mr. Tong Zhiyuan and Mr. Wong Kwok Yiu as non-executive Directors; 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*