

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement is for information purposes only and does not constitute an invitation or offer in relation to any purchase of or subscription for any securities of the Company.*



**FDG Electric Vehicles Limited**  
**五龍電動車（集團）有限公司**

*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 729)**

**SETTLEMENT AGREEMENT INVOLVING ALLOTMENT AND ISSUE  
OF NEW SHARES UNDER GENERAL MANDATE**

**SETTLEMENT AGREEMENT**

In order to resolve the disputes between various parties, on 18 October 2018, the Settlement Agreement was entered into by, among others, the Company, FDG Strategic, Chanje and Smith. Pursuant to the Settlement Agreement, among others, (i) Smith will transfer its approximately 16.84% equity interest in Chanje to the Company; (ii) the Company will allot and issue the New Shares to Smith under the General Mandate and pay an amount of US\$1,312,661.25 to Smith; (iii) Smith will assign to the Company all of its rights, title, and interests granted to it by Chanje pursuant to the Smith Contribution Agreement, including but not limited to the contractual right to designate two (2) members to the board of directors of Chanje; (iv) the Company shall release and return to Smith all the Company's common and series E shares in Smith and cancel any rights arising therefrom; and (v) Chanje shall transfer and release to Smith all of Smith's rights and property contributed, transferred or in any manner granted to Chanje and all of the licensed intellectual property contributed by Smith pursuant to the Smith Contribution Agreement and Smith License Agreement provided that Chanje and the Company shall be permitted to continue to utilise on a non-exclusive basis as agreed.

Upon completion of the transfer of approximately 16.84% equity interest in Chanje by Smith to the Company, Chanje will be owned as to 94.74% by the Group and 5.26% by the employee benefit trust established by the Company. As the Group has the right to nominate and appoint the majority of the directors of Chanje, Chanje will become a subsidiary of the Group. Hence, the financial results of Chanje will be consolidated into the Group's consolidated financial statements.

## **The New Shares**

The New Shares represent approximately 1.83% of the issued share capital of the Company as at the date of this announcement, and approximately 1.80% of the issued share capital of the Company as enlarged by allotment and issue of the New Shares, assuming that there is no other change to the issued share capital of the Company.

## **GENERAL MANDATE**

The New Shares will be allotted and issued under the General Mandate. As of the date of this announcement, the Board is authorised to allot and issue up to 4,682,615,421 Shares under the General Mandate.

## **LISTING APPLICATION**

Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the New Shares on the Stock Exchange.

## **SETTLEMENT AGREEMENT**

In May 2015, the Company and Smith formed a joint venture, Chanje, in the US to sell electric vehicles by leveraging the Group's electric vehicle designs and combining it with Smith's sales network. Smith entered into the Smith Contribution Agreement and Smith License Agreement with Chanje on 4 May 2015. Further information in relation to the formation of the joint venture was set out in the Company's announcement dated 4 May 2015.

In order to resolve the disputes between various parties, on 18 October 2018, the Settlement Agreement was entered into by, among others, the Company, FDG Strategic, Chanje and Smith. Pursuant to the Settlement Agreement, among others, (i) Smith will transfer its approximately 16.84% equity interest in Chanje to the Company; (ii) the Company will allot and issue the New Shares to Smith under the General Mandate and pay an amount of US\$1,312,661.25 to Smith; (iii) Smith will assign to the Company all of its rights, title, and interests granted to it by Chanje pursuant to the Smith Contribution Agreement, including but not limited to the contractual right to designate two (2) members to the board of directors of Chanje; (iv) the Company shall release and return to Smith all the Company's common and series E shares in Smith and cancel any rights arising therefrom; and (v) Chanje shall transfer and release to Smith all of Smith's rights and property contributed, transferred or in any manner granted to Chanje and all of the licensed intellectual property contributed by Smith pursuant to the Smith Contribution Agreement and Smith License Agreement provided that Chanje and the Company shall be permitted to continue to utilise on a non-exclusive basis as agreed.

Upon completion of the transfer of approximately 16.84% equity interest in Chanje by Smith to the Company, Chanje will be owned as to 94.74% by the Group and 5.26% by the employee benefit trust established by the Company. As the Group has the right to nominate and appoint the majority of the directors of Chanje, Chanje will become a subsidiary of the Group. Hence, the financial results of Chanje will be consolidated into the Group's consolidated financial statements.

### **The New Shares**

The New Shares represent approximately 1.83% of the issued share capital of the Company as at the date of this announcement, and approximately 1.80% of the issued share capital of the Company as enlarged by allotment and issue of the New Shares, assuming that there is no other change to the issued share capital of the Company.

The New Shares will, when allotted and issued, rank pari passu amongst themselves in all respects, and with all other Shares in issue at the time of allotment and issue of the New Shares.

Based on the closing price of HK\$0.07 per Share on 18 October 2018, being the date of this announcement, the New Shares have a market value of HK\$33,366,666.62 and an aggregate nominal value of HK\$4,766,666.66.

The Issue Price is HK\$0.09 per New Share which represents:

- (a) a premium of approximately 23.29% to the closing price of HK\$0.073 per Share as quoted on the Stock Exchange on the last trading day immediately before the date of the Settlement Agreement;
- (b) a premium of approximately 20% to the average closing price of HK\$0.075 per Share as calculated using the closing prices quoted on the Stock Exchange for the last five (5) trading days immediately before the date of the Settlement Agreement;
- (c) a premium of approximately 8.43% to the average closing price of HK\$0.083 per Share as calculated using the closing prices quoted on the Stock Exchange for the last ten (10) trading days immediately before the date of the Settlement Agreement;
- (d) a discount of approximately 1.10% to the average closing price of HK\$0.091 per Share as calculated using the closing prices quoted on the Stock Exchange for the last thirty (30) trading days immediately before the date of the Settlement Agreement; and
- (e) a premium of approximately 100.45% to the net assets value attributable to owners of the Company per Share as at 31 March 2018 of approximately HK\$0.0449 per Share.

### **Effect on the Shareholding Structure**

The table below shows the shareholding structure of the Company (1) as at the date of this announcement; and (2) immediately following the completion of the allotment and issue of the New Shares assuming that there is no other change to the issued share capital of the Company:

	As at the date of this announcement		Immediately following the completion of the allotment and issue of the New Shares	
	Number of Shares	%	Number of Shares	%
Smith	-	-	476,666,666	1.80%
JIN ZHENG YUAN (HK) HOLDING CO., LIMITED	2,600,000,000	9.99%	2,600,000,000	9.82%
CITIC Group Corporation <sup>(Note 1)</sup>	2,474,896,124	9.51%	2,474,896,124	9.34%
Mr. Cao Zhong <sup>(Note 2)</sup>	1,358,934,998	5.23%	1,358,934,998	5.13%
Others	19,579,245,986	75.27%	19,579,245,986	73.91%
Total	<u>26,013,077,108</u>	<u>100.00%</u>	<u>26,489,743,774</u>	<u>100.00%</u>

Notes:

- (1) CITIC Group Corporation is deemed to be interested in a total of 2,474,896,124 Shares, of which (i) 451,908,000 Shares are held by CITIC International Assets Management Limited; (ii) 1,022,988,124 Shares are held by Right Precious Limited; and (iii) 1,000,000,000 Shares are held by Star Mercury Investments Ltd.

Right Precious Limited is a wholly-owned subsidiary of CITIC International Assets Management Limited of which CITIC International Financial Holdings Limited owns 46%. CITIC International Financial Holdings Limited is wholly-owned by China CITIC Bank Corporation Limited which, in turn, is over 60% owned by CITIC Limited through its wholly-owned subsidiaries.

Star Mercury Investments Ltd. is a wholly-owned subsidiary of Smooth Way Holdings Inc. which, in turn, is a wholly-owned subsidiary of CITIC Pacific Limited. CITIC Pacific Limited is wholly-owned by CITIC Limited.

CITIC Group Corporation owns 58.13% of CITIC Limited through its wholly-owned subsidiaries, CITIC Polaris Limited and CITIC Glory Limited.

- (2) Mr. Cao Zhong, an executive director, the chairman and chief executive officer of the Company, is deemed to be interested in a total of 1,358,934,998 Shares, including 1,352,134,998 Shares held by Long Hing International Limited which is his wholly-owned investment holding company.

## GENERAL MANDATE

The New Shares will be allotted and issued under the General Mandate. As of the date of this announcement, the Board is authorised to allot and issue up to 4,682,615,421 Shares under the General Mandate.

## **LISTING APPLICATION**

Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the New Shares on the Stock Exchange.

## **REASONS FOR AND BENEFITS OF THE ENTRY INTO OF THE SETTLEMENT AGREEMENT**

The purpose of entering into the Settlement Agreement is for settling and resolving the disputes between the parties thereto in order to avoid further litigation costs. Pursuant to the Settlement Agreement, the Group together with the employee benefit trust established by the Company will own 100% of Chanje after completion of the transfer of Smith's equity interest in Chanje to the Company. The Group will have a complete control of Chanje which will facilitate Chanje's smoother business functioning. The settlement allows Chanje to clear its potential litigations and shareholder disputes which would help the Group to advance its discussion with potential investors for its US operation. The Directors are of the view that entering into the Settlement Agreement will enable Chanje to better develop the business in the US without the burden of shareholders' disputes and thus is in the interests of the Company and the Shareholders as a whole.

The Issue Price was arrived at after arm's length negotiation between the parties by reference to the recent market price of the Shares, the trading performance of the Shares and current market conditions. The Directors, including all the independent non-executive Directors, are of the view that the entry into of the Settlement Agreement (including the allotment and issue of the New Shares at the Issue Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE PARTIES**

The Group is an 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.

FDG Strategic is a direct wholly-owned subsidiary of the Company and is principally engaged in investment holding.

As at the date of this announcement, Chanje is owned as to approximately 77.90% and 5.26% by the Company and the employee benefit trust established by the Company respectively, and as to approximately 16.84% by Smith.

Smith is principally engaged in electric vehicle manufacturing.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Smith and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

## DEFINITIONS

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

“Board”	the board of Directors;
“Chanje”	Chanje Energy, Inc., a company incorporated under the laws of the State of Delaware in the US and deemed to be a non-wholly owned subsidiary of the Company under the Listing Rules but accounted for as a joint venture of the Group for accounting purposes;
“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(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	director(s) of the Company;
“FDG Strategic”	FDG Strategic Investment Limited, a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of the Company;
“General Mandate”	the general mandate granted to the Directors by an ordinary resolution passed at the annual general meeting of the Company held on 31 August 2018 to allot and issue up to 4,682,615,421 Shares;
“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;
“Issue Price”	the issue price of HK\$0.09 per Share;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Settlement Agreement”	the settlement agreement dated 18 October 2018 entered into by, among others, the Company, FDG Strategic, Chanje and Smith;
“New Shares”	476,666,666 Shares to be allotted and issued by the Company at the Issue Price;

“Smith”	Smith Electric Vehicles Corp, a company incorporated under the laws of the State of Delaware in the US which holds approximately 16.84% equity interest in Chanje as at the date of this announcement;
“Smith Contribution Agreement”	the agreement dated 4 May 2015 (as modified and amended from time to time) entered into between Smith and Chanje pursuant to which, among other things, Smith agreed to contribute certain assets and had the right to designate two members to the board of directors of Chanje;
“Smith License Agreement”	the intellectual property license agreement dated 4 May 2015 (as modified and amended from time to time) entered into between Smith and Chanje;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company;
“Shareholder(s)”	holders of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US”	the United States of America;
“US\$”	the US dollar, the lawful currency of the US; and
“%”	per cent.

On behalf of the Board  
**FDG Electric Vehicles Limited**  
**Jaime Che**  
*Executive Director*

Hong Kong, 18 October 2018

*As at the date of this announcement, the Board comprises Mr. Cao Zhong (Chairman and Chief Executive Officer), Dr. Chen Yanping (Chief Technical Officer), Mr. Lo Wing Yat and Mr. Jaime Che (Senior 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>*