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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)

PLACING AND TOP-UP SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



萬基證券有限公司

MORTON SECURITIES LIMITED

THE PLACING AND THE TOP-UP SUBSCRIPTION

On 29 March 2019, the Vendor, the Company and the Placing Agent entered into the Placing and Subscription Agreement pursuant to which (a) the Vendor has appointed the Placing Agent and the Placing Agent has agreed to act as the placing agent for the Vendor, on a best efforts basis, to procure the Placee to purchase the Placing Shares at the Placing Price of HK\$0.048 per Share; and (b) the Vendor has conditionally agreed to subscribe for the Top-up Subscription Shares at the Subscription Price of HK\$0.048 per Share following completion of the Placing. The Subscription Price is equivalent to the Placing Price.

The Placing is unconditional, completion of which is expected to be on the third (3rd) Business Day after the date of the Placing and Subscription Agreement.

Completion of the Top-up Subscription is conditional upon (a) completion of the Placing having occurred pursuant to the Placing and Subscription Agreement; and (b) the Listing Committee granting the listing of and permission to deal in the Top-up Subscription Shares.

As at the date of this announcement, the Company has 26,489,743,774 Shares in issue. The maximum number of 833,330,000 Placing Shares represent (i) approximately 3.15% of the issued share capital of the Company as of the date of this announcement; and (ii) approximately 3.05% of the issued share capital of the Company as enlarged by the allotment and issue of the Top-up Subscription Shares. The number of the Top-up Subscription Shares will be equivalent to the number of the Placing Shares actually placed. Assuming that a maximum number of 833,330,000 Shares would be placed out, the Top-up Subscription Shares shall represent (i) approximately 3.15% of the issued share capital of the Company as of the date of this announcement; and (ii) approximately 3.05% of the issued share capital of the Company as enlarged by the allotment and issue of the Top-up Subscription Shares. The net proceeds will enable the Company to strengthen its financial position.

The maximum gross proceeds and the maximum net proceeds from the Top-up Subscription will be HK\$39,999,840 and approximately HK\$38,500,000, respectively, which are intended to be used for the repayment of debts and general working capital purpose.

The Top-up Subscription Shares will be allotted and issued under the General Mandate. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Top-up Subscription Shares on the main board of the Stock Exchange.

Completion of the Top-up Subscription is subject to the satisfaction of the conditions precedent as set out in the Placing and Subscription Agreement. As the Placing and Top-up Subscription may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

LISTING RULES IMPLICATIONS

As the Top-up Subscription Shares are to be allotted and issued by the Company pursuant to the General Mandate, no separate approval from the Shareholders will be required for the Top-up Subscription.

THE PLACING AND SUBSCRIPTION AGREEMENT

Date

29 March 2019

Parties

- (i) the Vendor (as vendor of the Placing Shares);
- (ii) the Company; and
- (iii) the Placing Agent.

The Vendor is a Shareholder holding 1,022,988,124 Shares as at the date of this announcement, representing approximately 3.86% of the issued share capital of the Company.

The Placing

The Placing Agent has agreed to act as the placing agent for the Vendor, on a best efforts basis, to procure the Placee to purchase the Placing Shares at the Placing Price of HK\$0.048 per Share.

Placing Agent

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placing Agent is independent of the Company and its connected persons.

The Placing Shares

The maximum of 833,330,000 Placing Shares represent (i) approximately 3.15% of the issued share capital of the Company as of the date of this announcement; and (ii) approximately 3.05% of the issued share capital of the Company as enlarged by the allotment and issue of the Top-up Subscription Shares.

The Placee

The Placee is principally engaged in investment holding.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placee and its ultimate beneficial owners are independent of the Company and its connected persons.

Placing Price

The Placing Price is HK\$0.048 per Share.

The Placing Price was determined after arm's length negotiations between the Company and the Placing Agent with reference to, among others, the net assets value of the Company, which represents a premium of approximately 125.35% to the net assets value attributable to owners of the Company per Share as at 30 September 2018 of approximately HK\$0.0213 per Share and the prevailing market price of the Shares, and represents:

- (i) a discount of approximately 18.64% to the closing price of HK\$0.059 per Share on the Stock Exchange on 29 March 2019, being the date of the Placing and Subscription Agreement;
- (ii) a discount of approximately 18.64% to the closing price of HK\$0.059 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 16.08% to the average closing price of HK\$0.0572 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

- (iv) a discount of approximately 18.51% to the average closing price of HK\$0.0589 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 32.20% to the average closing price of HK\$0.0708 per Share as quoted on the Stock Exchange for the thirty consecutive trading days up to and including the Last Trading Day; and
- (vi) a price that is equal to the Subscription Price.

Rights of the Placing Shares

The Placing Shares will be sold free from any liens, charges, encumbrances, claims, option, warrant, pre-emptive right, security interest or third-party right whatsoever and will rank pari passu in all respects among themselves with existing Shares and together with all rights attaching thereto as at the Closing Date, including the right to receive all dividends and other distributions declared, made or paid in respect of the Placing Shares, the record date of which falls on or after the Closing Date.

Completion of the Placing

It is expected that completion of the Placing will take place on the Closing Date.

The Top-up Subscription

Pursuant to the Placing and Subscription Agreement, the Vendor has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue the Top-up Subscription Shares.

The Subscriber

The Vendor is a Shareholder holding 1,022,988,124 Shares as at the date of this announcement, representing approximately 3.86% of the issued share capital of the Company.

Subscription Price

The Subscription Price of the Top-up Subscription Shares, being HK\$0.048 per Top-up Subscription Share, is equal to the Placing Price, which was determined on an arm's length basis between the Company and the Vendor with reference to the Placing Price. The Subscription Price of the Top-up Subscription Shares will be paid to the Company upon completion of the Top-up Subscription.

Number of Top-up Subscription Shares

The number of Top-up Subscription Shares to be subscribed by the Vendor (or its nominee) pursuant to the Placing and Subscription Agreement shall be equivalent to the number of the Placing Shares actually placed by the Placing Agent. The maximum of 833,330,000 Top-up Subscription Shares represent (i) approximately 3.15% of the issued share capital of the Company as of the date of this announcement; and (ii) approximately 3.05% of the issued share capital of the Company as enlarged by the allotment and issue of the 833,330,000 Top-up Subscription Shares. The maximum total consideration for the Top-up Subscription will be HK\$39,999,840 minus the commission fees and expenses incurred under the Placing pursuant to the terms of the Placing and Subscription Agreement.

Based on the closing price of HK\$0.059 per Share on 28 March 2019, being the Last Trading Day, the Top-up Subscription Shares have a market value of HK\$49,166,470 and an aggregate nominal value of HK\$8,333,300.

General Mandate to issue new Shares

The Top-up Subscription Shares will be allotted and issued under the General Mandate granted to the Directors. Under the General Mandate, the Company is allowed to allot and issue up to 20% of the issued shares of the Company as at the date of the annual general meeting of the Company held on 31 August 2018.

As at the date of this announcement, the Board is authorised to allot and issue up to 4,205,948,755 Shares under the General Mandate and accordingly the allotment and issue of the Top-up Subscription Shares will not be subject to the approval of the Shareholders.

Listing application

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Top-up Subscription Shares.

Ranking of Top-up Subscription Shares

The Top-up Subscription Shares, when fully paid, will rank *pari passu* in all respects among themselves and with the Shares in issue on or prior to the date of completion of the Top-up Subscription including the right to dividends and other distributions declared, made or paid, the record date of which falls on or after the date of allotment and issue of the Top-up Subscription Shares.

Conditions precedent of the Top-up Subscription

Completion of the Top-up Subscription is conditional upon:

- (a) the listing of, and permission to deal in, the Top-up Subscription Shares being granted by the Listing Committee of the Stock Exchange; and
- (b) completion of the Placing having occurred pursuant to the terms of the Placing and Subscription Agreement.

Completion of the Top-up Subscription

Subject to the satisfaction of the above conditions, completion of the Top-up Subscription is expected to take place on the third Business Day after the satisfaction of the conditions of the Top-up Subscription.

In the event that the conditions of the Top-up Subscription above are not satisfied on or before the Subscription Termination Date, the Top-up Subscription shall cease and terminate and neither the Company, the Vendor nor the Placing Agent shall have any claim against the other under the Placing and Subscription Agreement in respect of the Top-up Subscription for costs, damages, compensation or otherwise save for rights and remedies accrued prior to such termination.

Termination

The Placing Agent may terminate its obligations under the Placing and Subscription Agreement without liability to the Vendor and the Company by giving notice in writing to the Company at any time up to 8:00 a.m. (Hong Kong time) on the Closing Date if there is any material breach of the warranties, representations and undertakings given by the Company and/or the Vendor in the Placing and Subscription Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing.

The respective directors of the Company and the Vendor are not aware of the occurrence of any such termination event as of the date of this announcement.

Undertaking from the Company

In the event where completion of the Placing has occurred but the Subscription does not complete on or before the Subscription Termination Date due to any reason not caused by the Vendor and/or its nominee, the Company shall procure the same number of the Top-up Subscription Shares (subject to any adjustment as a result of share consolidation, share subdivision or capital reduction) to be issued or transferred to the Vendor within 2 months from the date of the Placing and Subscription Agreement so that the Vendor will hold the same shareholding percentage interest in the Company as if the Placing and the Top-up Subscription have been completed under the Placing and Subscription Agreement.

In the event that the Top-up Subscription Shares are delivered to the Vendor and/or its nominee after 30 calendar days from the date of the Placing and Subscription Agreement, the Company shall be obliged to pay to each of the Vendor and/or its nominee an amount equal to the difference between (A) the highest closing price per Share on the Stock Exchange during the period between thirty (30) calendar days after the date of the Placing and Subscription Agreement and the day on which the relevant Shares are delivered to the Vendor and/or its nominee (the “**Delivery Date**”) and (B) the closing price per Share on the Stock Exchange on the Delivery Date, multiplied by the number of relevant Shares delivered to it.

REASONS FOR THE PLACING AND TOP-UP SUBSCRIPTION AND USE OF PROCEEDS

Upon the full subscription of the Top-up Subscription Shares, the gross proceeds for the allotment and issue of the Top-up Subscription Shares will be HK\$39,999,840. After taking into account the estimated expenses in relation to the Placing and Top-up Subscription, the estimated net proceeds from the Top-up Subscription will be approximately HK\$38,500,000, representing a net price of approximately HK\$0.0462 for each Top-up Subscription Share. The net proceeds from the Top-up Subscription are intended to be used for the repayment of debts and general working capital purpose.

The Directors consider that the Placing and the Top-up Subscription will provide the Company with an opportunity to raise further capital to strengthen its financial position. The Directors (including the independent non-executive Directors) are of the view that the Placing and Subscription Agreement was entered into on normal commercial terms after arm's length negotiations between the Company, the Vendor and the Placing Agent and that the terms and conditions of the Placing and Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

| Date of announcement | Event | Approximate net proceeds | Intended use of proceeds | Actual use of proceeds |
|-----------------------------|--|---------------------------------|--|--|
| 28 July 2018 | Subscription of new Shares under general mandate | Approximately HK\$233.8 million | For supporting the development of electric vehicle business, repayment of debt and general working capital purposes. | (i) approximately HK\$36 million used for the repayment of debts; (ii) approximately HK\$100.5 million used for the general working capital of the Group; and (iii) approximately HK\$97.3 million used for supporting the development of electric vehicle business. |
| 25 June 2018 | Placing of new Shares under general mandate | Approximately HK\$103.9 million | For repayment of debt and general working capital purposes. | (i) approximately HK\$94.3 million used for the repayment of debts; and (ii) approximately HK\$9.6 million used for the general working capital of the Group. |

Save as disclosed above, the Company has not carried out and completed any equity fund raising exercise in the twelve months immediately preceding the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Placing but before the Top-up Subscription; and (iii) immediately after completion of the Placing and the Top-up Subscription, under the assumptions that (1) a maximum number of the Placing Shares have been placed by the Placing Agent under the Placing and the Vendor shall subscribe for 833,330,000 Shares upon completion of the Top-up Subscription; and (2) there will be no other change to the issued share capital of the Company from the date of this announcement until completion of the Top-up Subscription save for the allotment and issue of the new Shares as a result of the Top-up Subscription:

| | As at the date of this announcement | | Immediately after completion of the Placing but before the Top-up Subscription | | Immediately after completion of the Placing and the Top-up Subscription | |
|--|-------------------------------------|---------------|--|---------------|---|---------------|
| | Number of Shares | % | Number of Shares | % | Number of Shares | % |
| CITIC Group Corporation (including the Vendor) ^(Note 1) | 2,474,896,124 | 9.34 | 1,641,566,124 | 6.19 | 2,474,896,124 | 9.06 |
| Placee | - | - | 833,330,000 | 3.15 | 833,330,000 | 3.05 |
| 金正源聯合投資控股有限公司 ^(Note 2) | 2,648,980,000 | 10.00 | 2,648,980,000 | 10.00 | 2,648,980,000 | 9.70 |
| Mr. Cao Zhong ^(Note 3) | 1,358,934,998 | 5.13 | 1,358,934,998 | 5.13 | 1,358,934,998 | 4.97 |
| Other public Shareholders | 20,006,932,652 | 75.53 | 20,006,932,652 | 75.53 | 20,006,932,652 | 73.22 |
| Total | 26,489,743,774 | 100.00 | 26,489,743,774 | 100.00 | 27,323,073,774 | 100.00 |

Notes:

- (1) CITIC Group Corporation is deemed to be interested in 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 the Vendor; and (iii) 1,000,000,000 Shares are held by Star Mercury Investments Ltd.

The Vendor 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) 金正源聯合投資控股有限公司 is deemed to be interested in 2,648,980,000 Shares, of which (i) 2,600,000,000 Shares are held by Lang Sheng (Hong Kong) Investment Co., Limited; and (ii) 48,980,000 Shares are held by Guoguang Global Asset Management (Hong Kong) Company Limited, each of these companies is an indirect wholly-owned subsidiary of 金正源聯合投資控股有限公司.
- (3) 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.

Completion of the Top-up Subscription is subject to the satisfaction of the conditions precedent as set out in the Placing and Subscription Agreement. As the Placing and Top-up Subscription may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

LISTING RULES IMPLICATIONS

As the Top-up Subscription Shares are to be allotted and issued by the Company pursuant to the General Mandate, no separate approval from the Shareholders will be required for the Top-up Subscription.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

| | |
|--------------------|---|
| “Business Day(s)” | any day (excluding Saturday, Sunday or public holiday), on which licensed banks in Hong Kong are generally open for business in Hong Kong; |
| “Closing Date” | the third Business Day after the execution date of the Placing and Subscription Agreement, being the date of completion of the Placing; |
| “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); |
| “connected person” | has the meaning ascribed thereto under the Listing Rules; |
| “Director(s)” | the director(s) of the Company; |
| “General Mandate” | the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 31 August 2018; |
| “Group” | the Company and its subsidiaries; |

| | |
|--------------------------------------|---|
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China; |
| “Last Trading Day” | 28 March 2019, being the last trading day for the Shares before the date of the Placing and Subscription Agreement; |
| “Listing Committee” | has the meaning ascribed thereto under the Listing Rules; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Placee” | Universal Way Limited, a company incorporated in Hong Kong with limited liability; |
| “Placing” | the placing of the Placing Shares by the Placing Agent pursuant to the Placing and Subscription Agreement; |
| “Placing Agent” | Morton Securities Limited, a corporation licensed to carry out type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); |
| “Placing and Subscription Agreement” | the agreement dated 29 March 2019 entered into by the Vendor, the Company and the Placing Agent in relation to the Placing and the Top-up Subscription; |
| “Placing Price” | HK\$0.048 per Placing Share; |
| “Placing Share(s)” | up to 833,330,000 existing Shares held by the Vendor and to be placed by the Placing Agent pursuant to the terms of the Placing and Subscription Agreement; |
| “PRC” | the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administration Region of the People’s Republic of China and Taiwan; |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the issued share capital of the Company; |
| “Shareholder(s)” | holder(s) of the Share(s); |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Subscription Price” | an amount equal to the Placing Price; |
| “Subscription Termination Date” | 19 April 2019 (or such later date as may be agreed between the parties in writing); |

| | |
|------------------------------|---|
| “substantial shareholder” | has the meaning ascribed thereto under the Listing Rules; |
| “Top-up Subscription” | the subscription of the Top-up Subscription Shares by the Vendor at the Subscription Price pursuant to the terms of the Placing and Subscription Agreement; |
| “Top-up Subscription Shares” | the number of new Shares to be subscribed by the Vendor pursuant to the Placing and Subscription Agreement, such number shall be equivalent to the number of Placing Shares actually placed by the Placing Agent; |
| “trading day” | any day on which the Stock Exchange is open for the business of dealing in securities; |
| “Vendor” | Right Precious Limited, a company incorporated in the British Virgin Islands with limited liability; and |
| “%” | per cent. |

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

Hong Kong, 29 March 2019

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

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