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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)

DISCLOSEABLE TRANSACTION DEEMED DISPOSAL OF CERTAIN SHAREHOLDING INTERESTS IN A SUBSIDIARY

THE CONVERTIBLE PROMISSORY NOTE

On 14 June 2019 (after trading hours), Chanje, a non-wholly owned subsidiary of the Company, and the Investor entered into the Convertible Promissory Note, pursuant to which and in consideration for the Principal Amount, (i) Chanje has agreed to pay to the Investor or its nominee the Promised Sum pursuant to the terms thereof; and (ii) the Investor is granted with the Optional Conversion Right upon receipt of the Principal Amount in full by Chanje.

LISTING RULES IMPLICATIONS

Following the exercise of the Optional Conversion Right and the allotment and issue of the shares of the Common Stock by Chanje to the Investor, the Group's shareholding interest in Chanje will be reduced from 94.74% to 88.82% (assuming (i) there is no other change in the issued share capital of Chanje; and (ii) the Convertible Promissory Note is fully converted on the date falling on the first anniversary of the date of the Convertible Promissory Note), which will constitute a deemed disposal pursuant to Rule 14.29 of the Listing Rules. As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Deemed Disposal is more than 5% and all of the applicable percentage ratios are less than 25%, the Deemed Disposal constitutes a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules.

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Key terms of the Convertible Promissory Note are set out below:

Total Principal Amount : US\$20,000,000, to be transferred from the Investor to Chanje in cash in accordance with the following manner:

- (i) US\$1,000,000 to be directly transferred to Chanje upon execution of the Convertible Promissory Note; and
- (ii) US\$19,000,000 to be transferred to the Escrow Account within 2 business days of the execution of the Convertible Promissory Note, and the following instalment payment amount shall be released from the Escrow Account to Chanje in accordance with the following schedule:

	Release Date	Instalment Payment Amount
1.	17 June 2019	US\$4,000,000
2.	1 July 2019	US\$1,400,000
3.	1 August 2019	US\$2,100,000
4.	1 September 2019	US\$1,800,000
5.	1 October 2019	US\$1,900,000
6.	1 November 2019	US\$2,000,000
7.	1 December 2019	US\$2,000,000
8.	1 January 2020	US\$1,300,000
9.	1 February 2020	US\$1,300,000
10.	1 March 2020	US\$1,200,000

The first two instalment payments above will be released directly from the Escrow Account to Chanje; each of the subsequent instalment payments thereafter will only be released after further written agreement between the Investor and Chanje. Chanje shall be entitled to all interests accrued in the Escrow Account.

Interest Rate : 10% per annum, computed on the basis of the actual number of days elapsed and a year of 360 days.

The interest rate is determined based on arm’s length negotiation between the Investor and Chanje taking into account that the Principal Amount shall be provided by the Investor to Chanje without any security arrangement.

- Maturity Date : The earliest of (i) the date falling on the first anniversary of the date of the Convertible Promissory Note; and (ii) when automatically deemed or declared due and payable by the Investor upon the occurrence of an Event of Default (the “**Maturity Date**”).
- Guarantee : In consideration for the Investor entering into the Convertible Promissory Note, the Company has agreed to unconditionally guarantee to the Investor the prompt and full payment of all monetary obligations of Chanje under the Convertible Promissory Note.
- Prepayment : Chanje shall have the right to prepay the Convertible Promissory Note, in whole but not in part.
- Event of Default : Upon the occurrence and during the continuance of any of the following events of default (an “**Event of Default**”), the Investor shall be entitled to declare the Convertible Promissory Note to be immediately due and payable:
- (a) Chanje has failed to pay any principal of or interest owing on the Convertible Promissory Note when due;
 - (b) Chanje has commenced a voluntary bankruptcy, insolvency proceedings or other proceedings seeking liquidation, reorganization or other relief with respect to itself or its debts; or
 - (c) Chanje or any of its subsidiaries has commenced any involuntary bankruptcy or insolvency proceedings.
- Conversion Price : US\$6,957.00 per share, subject to adjustment for any stock dividend, stock split, stock combination, reorganization, recapitalization, reclassification or other similar event with respect to the Common Stock.
- The Conversion Price is determined based on arm’s length negotiation between Chanje and the Investor having taking into account the current financial position and future business prospects of Chanje.

Conversion : Subject to Chanje having received the Principal Amount in full, the Investor shall be entitled to the following conversion right:

(a) Automatic conversion upon equity financing

Upon the closing by Chanje of a bona fide equity financing transaction resulting in proceeds to Chanje of at least US\$20,000,000, then the entire outstanding Promised Sum shall be automatically converted into such number of shares of the Common Stock equal to the outstanding Promised Sum divided by the Conversion Price.

(b) Optional Conversion Right

At any time and from time to time prior to the repayment or conversion of all amounts due under the Convertible Promissory Note, the Investor shall have the right and option, at its election, to convert all (or part of, subject to the approval of Chanje) of the Principal Amount then outstanding with any accrued interest into that number of fully-paid and non-assessable shares of Common Stock equal to the quotient obtained by dividing (i) the Principal Amount with any accrued interest being converted by (ii) the Conversion Price (the “**Optional Conversion Right**”); provided, however, that the Investor shall not be permitted to exercise the Optional Conversion Right at any time prior to the Maturity Date unless (1) approved by the board of directors of Chanje or (2) such conversion is following receipt of a prepayment notice.

Upon conversion of the Convertible Promissory Note into the Common Stock or any prepayment of the Convertible Promissory Note, any remaining unreleased instalment payments in the Escrow Account shall be immediately transferred to Chanje at Chanje’s discretion.

Completion

Following the exercise of the Optional Conversion Right and the allotment and issue of the shares of the Common Stock by Chanje to the Investor, the Group’s shareholding interest in Chanje will be reduced from 94.74% to 88.82% (assuming (i) there is no other change in the issued share capital of Chanje; and (ii) the Convertible Promissory Note is fully converted on the date falling on the first anniversary of the date of the Convertible Promissory Note). Chanje will remain as a subsidiary of the Company, and its financial results will remain consolidated with the accounts of the Group.

Impact on the shareholding structure before and after the exercise of the Optional Conversion Right

Assuming (i) there is no other change in the issued share capital of Chanje; and (ii) the Convertible Promissory Note is fully converted on the date falling on the first anniversary of the date of the Convertible Promissory Note, the following table shows the shareholding structure of Chanje before and after the allotment and issue of shares of the Common Stock as a result of the exercise of the Optional Conversion Right:

	Before the allotment and issue of shares of the Common Stock as a result of the exercise of the Optional Conversion Right		After the allotment and issue of shares of the Common Stock as a result of the exercise of the Optional Conversion Right	
	<i>Number of shares of the Common Stock</i>	<i>%</i>	<i>Number of shares of the Common Stock</i>	<i>%</i>
The Company (through its wholly owned subsidiaries)	45,000	94.74	45,000	88.82
FDG EBT (U.S.) Limited (a company under the employee benefit trust established by the Company)	2,500	5.26	2,500	4.93
The Investor	-	-	3,166	6.25
Total	<u>47,500</u>	<u>100.00</u>	<u>50,666</u>	<u>100.00</u>

INFORMATION ON THE GROUP

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.

INFORMATION ON CHANJE

Chanje is principally engaged in the sale and distribution of electric vehicles in the US.

According to the unaudited financial statements of Chanje prepared in accordance with the Hong Kong Financial Reporting Standards, the financial information of Chanje for the two preceding financial years is set out below:

	For the financial year ended 31 March 2017 <i>(unaudited)</i> HK\$'000	For the financial year ended 31 March 2018 <i>(unaudited)</i> HK\$'000
Net Loss before tax	99,595	146,938
Net Loss after tax	99,595	146,938

The unaudited net asset value of Chanje as at 31 March 2018 was approximately HK\$425,121,000.

INFORMATION ON THE INVESTOR

The Investor is a company incorporated under the laws of the State of Delaware in the US and is a leading management consulting firm with direct access to major sources of financing and investment.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Investor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

REASONS FOR THE ISSUE OF CONVERTIBLE PROMISSORY NOTE

The entry into of the Convertible Promissory Note would allow Chanje (i) to have sufficient working capital to fulfill the delivery of the purchase orders from customers and (ii) to help fund the capital expenditure and research and development cost for the infrastructure and energy service businesses. In addition to generating revenue and cashflow to the Group, it helps to expand the Group's business, thus improving the financial position and future prospects of the Group. Therefore, the Directors consider that the terms of the Convertible Promissory Notes are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

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VOTING

None of the Directors has a material interest in the issue of the Convertible Promissory Note and the transactions contemplated thereunder (including the Deemed Disposal). Accordingly, no Directors are required to abstain from voting on the relevant board resolutions to approve the issue of the Convertible Promissory Note and the transactions contemplated thereunder (including the Deemed Disposal).

DEFINITIONS

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

“Board”	the board of Directors;
“Chanje”	Chanje Energy, Inc., a company incorporated under the laws of the State of Delaware in the US and a non-wholly owned subsidiary of the Company;
“Common Stock”	the common stock with a par value of US\$0.0001 of Chanje;
“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 to it under the Listing Rules;
“Convertible Promissory Note”	the unsecured convertible promissory note dated 14 June 2019 entered into between Chanje and the Investor in the total principal amount of US\$20,000,000;
“Deemed Disposal”	the deemed disposal of 5.92% shareholding interest in Chanje by the Group as a result of the allotment and issue of the shares of the Common Stock upon the exercise of the Optional Conversion Right;
“Director(s)”	director(s) of the Company;
“Escrow Account”	a bank account jointly controlled by Chanje and the Investor;
“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;

“Investor”	Invictus Advisory Group, LLC, a company incorporated under the laws of the State of Delaware in the US;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Principal Amount”	the total principal amount of the Convertible Promissory Note, being US\$20,000,000;
“Promised Sum”	the outstanding Principal Amount and all accrued and unpaid interest in respect of the Convertible Promissory Note;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US”	the United States of America;
“US\$”	the US dollars, the lawful currency of the US; and
“%”	per cent.

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

Hong Kong, 14 June 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>