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

*(Provisional Liquidators Appointed)*

*(For Restructuring Purposes Only)*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 729)**

**DISCLOSEABLE AND CONNECTED TRANSACTION**  
**CAPITAL ADJUSTMENT IN GUIZHOU CHANGJIANG**  
**AUTOMOBILE CO., LTD.**

On 19 July 2020, FDG Guian and the Local Partner entered into the Capital Adjustment Agreement, pursuant to which FDG Guian and the Local Partner have agreed to adjust the capital contribution proportion of FDG Guian and the Local Partner in Guizhou Changjiang. After the adjustment of the capital contribution proportion in Guizhou Changjiang, FDG Guian will cease to be interested in any equity interest in Guizhou Changjiang and the Group will still be interested in 26% equity interest in Guizhou Changjiang through Hangzhou Changjiang.

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Capital Adjustment Agreement exceeds 5% and all of the applicable percentage ratios are less than 25%, the entering into of the Capital Adjustment Agreement and the transactions contemplated thereunder constitute discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Rule 14.33 of the Listing Rules.

The Local Partner, by virtue of its holding of 40% equity interest in ALEEES (GuiZhou) Co., Ltd.\* (立凱電能科技（貴州）有限公司), a subsidiary of the Company (as defined under the Listing Rules), is a connected person of the Company at the subsidiary level. Therefore, the transactions contemplated under the Capital Adjustment Agreement also constitute connected transaction for the Company under Chapter 14A of the Listing Rules. As at the date of this announcement, the Board has approved the Capital Adjustment Agreement and the Directors have also confirmed that the terms of the Capital Adjustment Agreement are fair and reasonable and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Pursuant to Rule 14A.101 of the Listing Rules, the Capital Adjustment Agreement is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements.

## **THE CAPITAL ADJUSTMENT AGREEMENT**

On 19 July 2020, FDG Guian and the Local Partner entered into the Capital Adjustment Agreement, pursuant to which FDG Guian and the Local Partner have agreed to adjust the capital contribution proportion of FDG Guian and the Local Partner in Guizhou Changjiang. After the adjustment of the capital contribution proportion in Guizhou Changjiang, FDG Guian will cease to be interested in any equity interest in Guizhou Changjiang and the Group will still be interested in 26% equity interest in Guizhou Changjiang through Hangzhou Changjiang.

According to a previous joint venture agreement entered into between the Local Partner, FDG Guian and Hangzhou Changjiang, Guizhou Changjiang shall be owned as to 49% by the Local Partner, 26% by Hangzhou Changjiang and 25% by FDG Guian.

Summary of the terms of the Capital Adjustment Agreement is set out below:

Date: 19 July 2020

Parties: FDG Guian; and  
the Local Partner

The Local Partner is a substantial shareholder of a subsidiary of the Company and is therefore a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

Adjustment of Capital Contribution: FDG Guian and the Local Partner agreed to adjust FDG Guian's original capital contribution to Guizhou Changjiang such that after the adjustment, FDG Guian is no longer required to fulfill the capital contribution obligation and no longer holds equity interests in Guizhou Changjiang.

The Local Partner agreed that it will further invest RMB275 million in Guizhou Changjiang following the adjustment with an aggregate investment of RMB814 million such that after the adjustment, the Local Partner will own 74% of the equity interests of Guizhou Changjiang.

Condition Precedent: The adjustment to the capital contribution contemplated under the Capital Adjustment Agreement must be made in compliance with relevant laws and regulations, including but not limited to the relevant rules and approvals from the Securities and Futures Commission and the Stock Exchange.

### **Information on Guizhou Changjiang**

Guizhou Changjiang intends to be principally engaged in manufacture and distribution of electric trucks and electric commercial vehicles.

According to the joint venture agreement dated 28 June 2016 entered into between the Local Partner, FDG Guian and Hangzhou Changjiang, Guizhou Changjiang shall be owned as to 49% by the Local Partner, 26% by Hangzhou Changjiang, and 25% by FDG Guian, and FDG Guian has not yet made any of the agreed capital contribution of approximately RMB275 million to Guizhou Changjiang.

According to the audited consolidated financial statements prepared in accordance with the generally accepted accounting standards of the PRC (the “**PRC GAAP**”), the audited consolidated net assets value of Guizhou Changjiang under the PRC GAAP as at 31 December 2019 was approximately RMB703,550,000. The audited consolidated financial information of Guizhou Changjiang under the PRC GAAP for the year ended 31 December 2019 is set out below:

Net profit/(loss) before tax	RMB(47,346,000)
Net profit/(loss) after tax	RMB(47,346,000)

## **REASONS FOR AND BENEFITS OF THE CAPITAL ADJUSTMENT AGREEMENT**

The Group is principally engaged 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 sales of cathode materials for batteries; and (v) direct investments.

As stated in the announcement of the Company dated 19 March 2020, the Supreme Court of Bermuda has appointed the JPLs to the Company for restructuring purposes only. The Directors and the JPLs do not anticipate that FDG Guian would be in a position to make capital contribution to Guizhou Changjiang in the near future as the Group is still in a relatively early stage of its restructuring process. Entering into the Capital Adjustment Agreement would allow the Group to be relieved of the cashflow burden of the capital contribution which has been long due. Furthermore, in order to minimise the impact on the operation of Guizhou Changjiang due to the delay in FDG Guian’s capital contribution to Guizhou Changjiang, entering into the Capital Adjustment Agreement would allow Guizhou Changjiang to continue with its normal operation whilst the Company could ultimately still benefit from its development in the long term through the equity holding of Hangzhou Changjiang in Guizhou Changjiang. Guizhou Changjiang would also gain access to more resources from the government as it becomes a state-owned company.

According to the Capital Adjustment Agreement, the Local Partner and FDG Guian have principally agreed that FDG Guian shall be able to increase its shareholding in Guizhou Changjiang prior to 31 December 2021, subject to further negotiation.

The Directors (including the independent non-executive Directors) have confirmed that the Capital Adjustment and the terms of the Capital Adjustment Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interest of the Company and its Shareholders as a whole.

## **FINANCIAL EFFECT OF THE CAPITAL ADJUSTMENT**

Upon completion of the Capital Adjustment, Guizhou Changjiang will remain as an associate of the Company through the shareholding of Hangzhou Changjiang.

Based on the latest unaudited consolidated net assets of Guizhou Changjiang and subject to the review by the Company's auditor, the management of the Company does not anticipate that there would be material impact on the consolidated results of the Group arising from the Capital Adjustment.

## **INFORMATION ABOUT THE LOCAL PARTNER**

The Local Partner is a wholly-owned subsidiary of Guian New District Development and Investment Co., Ltd.\* (貴安新區開發投資有限公司), which is in turn owned as to 95.50% by Guian New Area Management Committee\* (貴安新區管理委員會), a committee set up by the Guizhou Provincial People's Government, and 4.50% by various third parties independent of the Company and its subsidiaries as at the date of this announcement. It principally focuses on the major infrastructure development, major project development as well as industrial investment, financing, construction and capital operation in Guian New Area.

The Local Partner, by virtue of its holding of 40% equity interest in ALEEES (GuiZhou) Co., Ltd.\* (立凱電能科技(貴州)有限公司), a subsidiary of the Company (as defined under the Listing Rules), is therefore a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Capital Adjustment Agreement exceeds 5% and all of the applicable percentage ratios are less than 25%, the entering into of the Capital Adjustment Agreement and the transactions contemplated thereunder constitute discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Rule 14.33 of the Listing Rules.

The Local Partner, by virtue of its holding of 40% equity interest in ALEEES (GuiZhou) Co., Ltd.\* (立凱電能科技(貴州)有限公司), a subsidiary of the Company (as defined under the Listing Rules), is a connected person of the Company at the subsidiary level. Therefore, the transactions contemplated under the Capital Adjustment Agreement also constitute connected transaction for the Company under Chapter 14A of the Listing Rules. As at the date of this announcement, the Board has approved the Capital Adjustment Agreement and the Directors have also confirmed that the terms of the Capital Adjustment Agreement are fair and reasonable and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Pursuant to Rule 14A.101 of the Listing Rules, the Capital Adjustment Agreement is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements.

None of the Directors is considered to have a material interest in the Capital Adjustment Agreement and therefore none of the Directors was required to abstain from voting on the Board resolutions approving the Capital Adjustment Agreement and the transactions contemplated thereunder.

## DEFINITIONS

“Board”	the board of Directors;
“Capital Adjustment”	the adjustment of the capital contribution proportion of FDG Guian and the Local Partner in Guizhou Changjiang as contemplated under the Capital Adjustment Agreement;
“Capital Adjustment Agreement”	the capital adjustment agreement dated 19 July 2020 and entered into between FDG Guian and the Local Partner;
“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(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“FDG Guian”	FDG Electric Vehicles (Guian) Holdings Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“Guizhou Changjiang”	貴州長江汽車有限公司 (Guizhou Changjiang Automobile Co., Ltd.*), a company established in the PRC which immediately prior to the entering into of the Capital Adjustment Agreement, was owned as to 49% by the Local Partner, 26% by Hangzhou Changjiang and 25% by FDG Guian;
“Hangzhou Changjiang”	杭州長江汽車有限公司 (Hangzhou Changjiang Automobile Co., Ltd.*), a company established in the PRC which is a non-wholly owned subsidiary of the Company;
“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;
“JPLs”	Yen Ching Wai David and So Kit Yee Anita, both of Ernst & Young Transactions Limited and Eleanor Fisher of EY Cayman Ltd. ;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Local Partner”	貴州貴安產業投資有限公司, a company established in the PRC and immediately prior to the entering into of the Capital Adjustment Agreement, is the owner of 49% equity interest in Guizhou Changjiang;
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of the share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

On behalf of the Board  
**FDG Electric Vehicles Limited**  
*(Provisional Liquidators Appointed)*  
*(For Restructuring Purposes Only)*  
**Jaime Che**  
*Chief Executive Officer*

Hong Kong, 19 July 2020

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

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

*\* for identification purposes only*