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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)**

### **EXEMPT CONNECTED TRANSACTION**

#### **ENTERING INTO SUPPLEMENTAL AGREEMENT TO THE COOPERATION AGREEMENT AND ENTRUSTMENT AGREEMENT**

Reference is made to the Voluntary Announcement in relation to the Cooperation Agreement.

The Board is pleased to announce that on 4 November 2016, (i) the Company and Guian Committee entered into a supplemental agreement to the Cooperation Agreement; and (ii) Guizhou Guian Asset Investment, Jasmin International and the Project Company entered into the Entrustment Agreement, pursuant to which Guizhou Guian Asset Investment has entrusted Jasmin International to provide electric vehicles research, design and development related services to the Project Company.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Project Company is an indirect non-wholly owned subsidiary of the Company of which 51% of its equity interest is owned by the Group, and the remaining 49% equity interest is owned by Guizhou Guian Asset Investment. As Guizhou Guian Asset Investment is a substantial shareholder of the Project Company and hence a connected person of the Company at the subsidiary level, the Entrustment Agreement constitutes a connected transaction of the Company under the requirement of Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, a connected transaction between the listed issuer's group and a connected person at the subsidiary level on normal commercial terms or better is exempt from the circular, independent financial advice and shareholders' approval requirements if: (1) the listed issuer's board of directors have approved the transactions; and (2) the independent non-executive directors have confirmed that the terms of the transaction are fair and reasonable, the transaction is on normal commercial terms or better and in the interests of the listed issuer and its shareholders as a whole.

The Company has obtained the approval from the Board (including the independent non-executive Directors except for Dr. Chen Yanping who had abstained from voting on the Board resolutions) regarding the Supplemental Agreement, the Entrustment Agreement and the transactions contemplated thereunder respectively, and the Directors (including the independent non-executive Directors except for Dr. Chen Yanping who had abstained from voting on the Board resolutions) have confirmed that the terms of the Supplemental Agreement, Entrustment Agreement and the transactions contemplated thereunder respectively are fair and reasonable, and that the aforementioned transactions are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. As such, pursuant to Rule 14A.101 of the Listing Rules, the Supplemental Agreement, the Entrustment Agreement and the transactions contemplated thereunder are only subject to the reporting and announcement requirements, and are exempted from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **THE SUPPLEMENTAL AGREEMENT AND ENTRUSTMENT AGREEMENT**

Reference is made to the Voluntary Announcement in relation to the Cooperation Agreement.

The Board is pleased to announce that on 4 November 2016, (i) the Company and Guian Committee entered into a supplemental agreement to the Cooperation Agreement; and (ii) Guizhou Guian Asset Investment, Jasmin International and the Project Company entered into the Entrustment Agreement pursuant to which Guizhou Guian Asset Investment has entrusted Jasmin International to provide electric vehicles research, design and development related services to the Project Company.

### **The Supplemental Agreement**

**Date:** 4 November 2016

#### **Parties:**

- (1) the Company; and
- (2) Guian Committee.

#### **Key terms:**

During the entrustment period, Guizhou Guian Asset Investment will pay Jasmin International a total of RMB1,000,000,000 as funding for the research, design and development of pure electric vehicles for the benefit of the Project Company and is payable in two instalments: (i) first instalment in the amount of RMB500,000,000 shall be payable within 20 days after signing of the Entrustment Agreement; and (ii) the balance in the amount of RMB500,000,000 shall be payable within 30 days after commercial production of the corresponding new models of pure electric vehicles under the Entrustment Agreement.

## **The Entrustment Agreement**

**Date:** 4 November 2016

### **Parties:**

- (1) Guizhou Guian Asset Investment;
- (2) Jasmin International; and
- (3) Project Company.

**Entrustment period:** 4 November 2016 to 31 December 2021

### **Key terms:**

Guizhou Guian Asset Investment has entrusted Jasmin International to provide electric vehicles research, design and development related services to the Project Company in relation to the Project.

The entrustment period is from 4 November 2016 to 31 December 2021, which may automatically be extended to a later date until the full performance of the Entrustment Agreement.

The new product models to be researched and developed by Jasmin International include three types of passenger vehicles and four types of electric trucks with loaded capacities of 4 tons, 2 tons, 1 ton and 0.5 ton, respectively.

Pursuant to the Entrustment Agreement, the ownership and the related rights of all intellectual properties of all new product models covered under the Entrustment Agreement shall jointly belong to Guizhou Guian Asset Investment and Jasmin International. The Project Company will have an exclusive right to make use of all intellectual properties developed under the Entrustment Agreement for the production and sale of the corresponding electric vehicles.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT AND THE ENTRUSTMENT AGREEMENT**

Reference is made to the Voluntary Announcement and as stated therein, pursuant to the Cooperation Agreement, Guian Committee agreed, among others, to provide not more than RMB1,000,000,000 by installments to the Company for funding and supporting the research and development of new electric vehicles models for the Project. In this connection, Guian Committee agreed to entrust Jasmin International to provide electric vehicles research, design and development related services to the Project Company in relation to the Project. The new product models to be researched and developed by Jasmin International and covered under the Entrustment Agreement include three types of passenger vehicles and four types of electric trucks with loaded capacities of 4 tons, 2 tons, 1 ton and 0.5 ton, respectively. Pursuant to the Entrustment Agreement, the ownership and the related rights of all intellectual properties of all new product models covered under the Entrustment Agreement shall jointly belong to Guizhou

Guian Asset Investment and Jasmin International. The Project Company will have an exclusive right to make use of all intellectual properties developed under the Entrustment Agreement for the production and sale of the corresponding electric vehicles.

## **INFORMATION OF THE PARTIES INVOLVED**

Guizhou Guian Asset Investment is a wholly-owned subsidiary of GuiAn New District Development and Investment Co., Ltd. which is a class one major state-owned enterprise incorporated under the approval and supervision of Guizhou Provincial People's Government. GuiAn New District Development and Investment Co., Ltd. is responsible for coordinating and facilitating the planning, development and construction works of Guian New Area, PRC.

Jasmin International is a company established in the PRC and an indirect non-wholly owned subsidiary of the Company. The principal business of Jasmin International is design of electric vehicles.

The Project Company is a jointly-owned company established by the Group and Guian Committee to facilitate their collaboration in the Project. It is a company established in the PRC and an indirect non-wholly owned subsidiary of the Company of which 51% of its equity interest is owned by the Group, and the remaining 49% equity interest is owned by Guizhou Guian Asset Investment. The principal business of the Project Company is the production and sale of pure electric vehicles.

The Group is a vertically integrated electric vehicle manufacturer which primarily engages in (i) independent research and development, design and production of electric vehicles such as buses, coaches, mid-size buses, commercial vehicles, passenger vehicles and other special purpose models; (ii) the research and development, production, distribution and sale of lithium-ion batteries; (iii) the research and development, production, distribution and sale of cathode materials for lithium-ion battery; and (iv) the provision of leasing services for electric vehicles. The Group operates electric vehicles manufacturing plants in Hangzhou and Kunming in the PRC and also operates battery manufacturing plants in Tianjin and Jilin in the PRC. The Group's cathode materials production plant is located in Chongqing in the PRC.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Project Company is an indirect non-wholly owned subsidiary of the Company of which 51% of its equity interest is owned by the Group, and the remaining 49% equity interest is owned by Guizhou Guian Asset Investment. As Guizhou Guian Asset Investment is a substantial shareholder of the Project Company and hence a connected person of the Company at the subsidiary level, the Entrustment Agreement constitutes a connected transaction of the Company under the requirement of Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, a connected transaction between the listed issuer's group and a connected person at the subsidiary level on normal commercial terms or better is exempt from the circular, independent financial advice and shareholders' approval requirements if: (1) the listed issuer's board of directors have approved the transactions; and (2)

the independent non-executive directors have confirmed that the terms of the transaction are fair and reasonable, the transaction is on normal commercial terms or better and in the interests of the listed issuer and its shareholders as a whole.

The Company has obtained the approval from the Board (including the independent non-executive Directors except for Dr. Chen Yanping who had abstained from voting on the Board resolutions) regarding the Supplemental Agreement, the Entrustment Agreement and the transactions contemplated thereunder respectively, and the Directors (including the independent non-executive Directors except for Dr. Chen Yanping who had abstained from voting on the Board resolutions) have confirmed that the terms of the Supplemental Agreement, the Entrustment Agreement and the transactions contemplated thereunder respectively are fair and reasonable, and that the aforementioned transactions are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. As such, pursuant to Rule 14A.101 of the Listing Rules, the Supplemental Agreement, the Entrustment Agreement and the transactions contemplated thereunder are only subject to the reporting and announcement requirements, and are exempted from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the date of this announcement, Dr. Chen Yanping, a Director, Chief Operating Officer and a shareholder of the Company who is deemed to be interested in a total of 658,125,000 Shares (representing approximately 2.94% of the issued shares of the Company), is also a shareholder of Jasmin International holding as to 9% of its equity interest. Accordingly, Dr. Chen Yanping had abstained from voting on the Board resolutions in respect of the transactions contemplated under the Supplemental Agreement and the Entrustment Agreement. The Board confirms that except for Dr. Chen Yanping, none of the other Directors has a material interest in the Supplemental Agreement and the Entrustment Agreement or is required to abstain from voting on such Board resolutions.

## **DEFINITIONS**

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

“Board”	the board of directors of the Company;
“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;
“Cooperation Agreement”	the cooperation agreement dated 8 May 2016 entered into between the Company and Guian Committee in relation to the Project;
“Director(s)”	the director(s) of the Company;

“Entrustment Agreement”	the entrustment agreement dated 4 November 2016 entered into between Guizhou Guian Asset Investment, Jasmin International and the Project Company;
“Group”	the Company and its subsidiaries;
“Guian Committee”	Guian New Area Management Committee* (貴安新區管理委員會);
“Guizhou Guian Asset Investment”	Guizhou Guian Asset Investment Co., Ltd.* (貴州貴安產業投資有限公司), a company incorporated in the PRC and 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 a class one major state-owned enterprise incorporated under the approval and supervision of Guizhou Provincial People’s Government;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Jasmin International”	Jasmin International Auto R&D (Beijing) Co., Ltd. (簡式國際汽車設計(北京)有限公司), a company incorporated in the PRC and an indirect non-wholly owned subsidiary of the Company;
“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, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China;
“Project”	the investment in and construction of pure electric vehicles production facilities in Guian New Area, Guizhou, the PRC;
“Project Company”	Guizhou Changjiang Automobile Co., Ltd.* (貴州長江汽車有限公司), an indirect non-wholly owned subsidiary of the Company of which 51% of its equity interest is owned by the Group, and the remaining 49% equity interest is owned by Guizhou Guian Asset Investment;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;

“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the supplemental agreement to the Cooperation Agreement dated 4 November 2016 entered into between the Company and Guian Committee in relation to the Project;
“Voluntary Announcement”	the voluntary announcement dated 8 May 2016 in relation to the Cooperation Agreement; and
“%”	per cent.

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

Hong Kong, 4 November 2016

*As at the date of this announcement, the board of Directors comprises Mr. Cao Zhong (Chairman and Chief Executive Officer), Mr. Miao Zhenguo (Deputy Chairman), Dr. Chen Yanping (Chief Operating Officer), Mr. Lo Wing Yat and Mr. Jaime Che (Vice President) as 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*