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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)

INSIDE INFORMATION - NON-BINDING LETTER OF INTENT IN RELATION TO A POTENTIAL DISPOSAL

This announcement is made by FDG Electric Vehicles Limited (provisional liquidators appointed) (for restructuring purposes only) under Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

LETTER OF INTENT IN RELATION TO THE POTENTIAL DISPOSAL

On 19 March 2020 (after trading hours), the Company, Chanje (an indirect non-wholly owned subsidiary of the Company) and the Intended Purchaser entered into the LOI in relation to, among others, the Potential Disposal of 94.74% equity interests in Chanje indirectly held by the Company to the SPV.

The Potential Disposal will be for a consideration of (i) US\$260 million (subject to downward adjustment for actual Deposit received and waiver of shareholder's loan between the Group and Chanje up to US\$32 million); (ii) 10% equity stake in the SPV in the form of common equity securities of the SPV, which shall be non-dilutive and remain at 10% prior to any qualified public offering of the SPV or Chanje; and (iii) additional payment of up to US\$100 million to FDG upon completion of a successful initial public offering of the SPV or Chanje based on the market capitalisation of the initial public offering. Pursuant to the LOI, for the purpose of the Potential Disposal, the Company will, among others, (i) grant Chanje the exclusive global right (excluding Asia) to market, sell, manufacture, modify, sub-license and further enhance and commercialise the intellectual properties related to the logistic electric vehicles; (ii) procure the Commercial Vehicle Subsidiary to enter into a three-year supply agreement for vehicles and parts with Chanje; and (iii) assign and transfer the global brand rights of Chanje to Chanje.

As at the date of this announcement, the Company is indirectly interested in approximately 94.74% equity interests in Chanje and approximately 5.26% equity interests in Chanje is held by FDG EBT (U.S.) Limited, a company under the employee benefit trust established by the Company.

Deposit and Exclusivity

Pursuant to the LOI, the Intended Purchaser is required to pay to Chanje the Deposit in the aggregate sum of US\$12 million in three instalments.

As evidence of payment of the first instalment of the Deposit, once it is received by Chanje on the date of the LOI, Chanje shall issue a loan note (the “**Initial Note**”) in the sum of US\$4 million to the Intended Purchaser with a one year maturity from the date of issue of such note (the “**Maturity Date**”).

Subject to further negotiations and agreement with the Intended Purchaser, Chanje may issue a second loan note (the “**Final Note**”) in the sum of US\$8 million to the Intended Purchaser maturing on the Maturity Date as evidence of payment of the second and the third instalments of the Deposit.

Pursuant to the LOI, upon the receipt of the first instalment of the Deposit by Chanje, the Intended Purchaser will be granted an exclusivity period commencing from the date of the execution and delivery of the LOI and ending upon written notice of Chanje any time after the earlier of (i) 30 June 2020; and (ii) the date that the SPV (or any of its affiliates) indicates in writing that it wishes to terminate negotiations with Chanje (the “**Exclusivity Period**”).

During the Exclusivity Period, neither Chanje nor FDG shall, and Chanje and FDG shall cause their respective officers and directors, and direct its shareholders, employees, agents or any other person acting on their behalf or at their discretion, including financial advisers, to not, directly or indirectly, (a) solicit or initiate, or knowingly encourage the submission of, any proposal or indication of interest relating to an Alternative Transaction; (b) participate in or conduct any discussion or negotiations regarding, or furnish to any person or entity any information with respect to (except to communicate the existence of the LOI and exclusivity) any Alternative Transaction; or (c) authorize, approve, consummate, engage in, or enter into any agreement with respect to, any Alternative Transaction.

Right of First Refusal

Pursuant to the LOI, in the event the LOI is terminated or closing of the Potential Disposal does not occur, Chanje grants to the Intended Purchaser a first right of refusal on any similar transaction or sale of Chanje, in part or in total, for six months from the execution of the LOI.

The parties to the LOI shall work in good faith to execute and deliver a right of first refusal agreement in favour of the Intended Purchaser prior to 3 April 2020. Further announcement(s) will be made by the Company should such agreement (if entered into) give rise to any notifiable transaction of the Company under Chapter 14 of the Listing Rules.

Termination of the LOI

The obligations of the parties to each other under the LOI shall terminate upon the first to occur of (i) the expiration of the Exclusivity Period; (ii) the execution and delivery of the Definitive Agreement(s); or (iii) the written agreement among the SPV, Chanje and FDG, provided that the provisions regarding the right of first refusal, costs, governing law, exclusivity, termination and confidentiality as contained in the LOI will survive the termination.

Nature of the LOI

The LOI is non-legally binding save and except for the provisions regarding due diligence and financial statements, right of first refusal, costs, governing law, exclusivity, termination, confidentiality and notices as contained in the LOI.

INFORMATION ON THE GROUP AND CHANJE

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.

Chanje owns the right to use certain intellectual properties of the Group in the US and its primary mission is to promote the Group's electric logistic vehicles in the last mile delivery segment.

Its current customers include Federal Express Corporation and Ryder Vehicle Purchasing, LLC. In addition, Chanje's engineer team provides electric vehicle infrastructure solution and it is currently upgrading depots for Federal Express Corporation.

INFORMATION ON THE INTENDED PURCHASER

The Intended Purchaser is a limited liability company incorporated in Delaware in the US, with no single ultimate beneficial owner owning more than 30% of its issued shares. The Intended Purchaser is principally engaged in investments in a portfolio of proprietary investments with a unified strategy to deliver liquidity via public equity markets.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Intended Purchaser and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

REASONS TO ENTER INTO THE LETTER OF INTENT

While the Deposit will support the current operations of the Group and facilitate the manufacturing and delivery the electric vehicles to our customers, the Potential Disposal, if materialises, will have significant impacts on the Group.

The Group has spent years in perfecting our electric logistic vehicles and this opportunity might accelerate the world-wide implementation of it. The proposed restructuring will expand Chanje's territory to rest of the world (except Asia), allowing international fleet operators to adopt our vehicles not only in the US. The Company believes that with the right shareholding structure and business model, the likelihood of a successful listing of Chanje (or SPV) will be promising. As a result of the success of Chanje (or SPV), there will be a significant order book for our Commercial Vehicle Subsidiary to manufacture and thus establishing a constant revenue stream.

Furthermore, the Potential Disposal might bring in US\$260-360 million of new capital which will greatly enhance our financial position, allowing the Group to service and/or restructure most of our debt, reinvest into our research and development for future products and make an impact on the world-wide fight against global warming.

GENERAL

As at the date of this announcement, the terms and conditions of the Potential Disposal are still being negotiated and no definitive agreement or other legally binding agreement has been entered into. The Potential Disposal, if materialises, may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules and may be subject to approval of the Shareholders and other relevant regulators. Further announcement(s) will be made by the Company as and when appropriate in compliance with the Listing Rules.

The Board wishes to emphasise that the Potential Disposal is subject to, among other things, the execution of the Definitive Agreement(s), the terms and conditions of which are yet to be agreed. There is no assurance that the Potential Disposal will materialise. As the Potential Disposal may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Alternative Transaction”	any (i) reorganization, dissolution, liquidation or recapitalization of or involving Chanje (including any entity included therein); (ii) merger, consolidation or acquisition of or involving Chanje (including any entity included therein); (iii) sale of any significant amount of assets of Chanje (including any entity included therein); (iv) direct or indirect purchase, sale or other disposition of any equity or other interests of Chanje (including any entity included therein); (v) similar transaction or business combination involving Chanje (including any entity included therein) or any of its business, equity or other interests, capital or assets; or (vi) other transaction the consummation of which would prevent, impede or delay the consummation of the Potential Disposal as contemplated by the LOI;
“Board”	the board of Directors;
“Chanje”	Chanje Energy, Inc., a company incorporated under the laws of the State of Delaware in the US and an indirect non-wholly owned subsidiary of the Company;
“Commercial Vehicle Subsidiary”	杭州長江汽車有限公司 (Hangzhou Changjiang Automobile Co., Ltd.*), a limited liability company incorporated under the laws of the People’s Republic of China, and a 50.17% indirect subsidiary of the Company;
“Common Shares”	the common shares with a par value of US\$0.0001 each 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(s)”	has the meaning ascribed to it under the Listing Rules;
“Definitive Agreement(s)”	the definitive agreement(s) that may be entered into between the Company as vendor, the SPV as purchaser and Chanje as target company in relation to the Potential Disposal;
“Deposit”	an aggregate of US\$12 million;
“Director(s)”	director(s) of the Company;
“Exclusivity Period”	has the meaning ascribed to it in the paragraph headed “Deposit and Exclusivity” in the section headed “Letter of Intent in relation to the Potential Disposal” in this announcement;
“FDG”	collectively, the Company and FDG Strategic;
“FDG Strategic”	FDG Strategic Investment Limited, a limited liability company in the British Virgin Islands and a direct wholly owned subsidiary of the Company and the majority shareholder of Chanje, holding approximately 77.89% equity interests in Chanje;
“Final Note”	has the meaning ascribed to it in the paragraph headed “Deposit and Exclusivity” in the section headed “Letter of Intent in relation to the Potential Disposal” in this announcement;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Initial Note”	has the meaning ascribed to it in the paragraph headed “Deposit and Exclusivity” in the section headed “Letter of Intent in relation to the Potential Disposal” in this announcement;
“Intended Purchaser”	J. Streicher Holdings LLC, a company incorporated in Delaware in the US;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“LOI”	the letter of intent dated 19 March 2020 entered into among the Company, Chanje and the Intended Purchaser in relation to, among others, the Potential Disposal;
“Maturity Date”	has the meaning ascribed to it in the paragraph headed “Deposit and Exclusivity” in the section headed “Letter of Intent in relation to the Potential Disposal” in this announcement;
“Potential Disposal”	the potential disposal by the Company to the Intended Purchaser of, among others, 45,000 Common Shares, representing 94.74% of all the issued Common Shares;
“Share(s)”	ordinary share(s) of HK\$0.20 each in the issued share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“SPV”	a special purpose vehicle to be set up by the Intended Purchaser for the purpose of the Potential Disposal;
“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
(Provisional Liquidators Appointed)
(For Restructuring Purposes Only)
Jaime Che
Chief Executive Officer

Hong Kong, 19 March 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 purpose only*