

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



FDG Kinetic Limited

五龍動力有限公司

(Receivers and Managers Appointed)

(Incorporated in Bermuda with limited liability)

(Stock Code: 378)

UPDATE PURSUANT TO RULE 3.7 OF THE TAKEOVERS CODE

This announcement is made pursuant to Rule 3.7 of the Takeovers Code by FDG Kinetic Limited (Receivers and Managers Appointed) (the “**Company**”).

Reference is made to the joint announcements of the Company and FDG EV dated 16 April 2020, 29 April 2020, 5 May 2020, 3 June 2020, 2 July 2020, 28 July 2020 and 13 August 2020 and the announcement of the Company dated 15 September 2020, 15 October 2020, 13 November 2020, 11 December 2020, 11 January 2021, 11 February 2021, 11 March 2021, 12 April 2021 and 12 May 2021 (the “**Announcements**”). Terms defined in the Announcements shall have the same meaning herein unless otherwise defined or the context otherwise required.

As disclosed in the announcement of the Company dated 12 May 2021, on 12 May 2021, the Board received the Proposal from the Investor and the Receivers which involves, among others, (i) capital reorganisation involving reduction in the share capital of the Company; (ii) placing of shares of the Company to the Investor; (iii) a fully underwritten rights issue (which together with the Capital Reorganisation and the Placing, the “**Proposed Capital Enlargement**”); and (iv) a scheme of arrangement to compromise with all creditors their claims against the Company.

The Board, having considered the terms of the Proposal, is of the opinion that it would be in the best interest of the Company and the shareholders of the Company as a whole to proceed with the Proposal and on 17 May 2021, entered into a memorandum of understanding (the “**MOU**”) with the Investor and the Receivers.

THE MOU

Summary of the terms of the MOU are as follows:

Date: 17 May 2021

- Parties: (i) The Company;
- (ii) The Investor; and
- (iii) The Receivers.

The MOU is non-legally binding save as for certain terms regarding confidentiality, termination, costs, governing law and the following provisions:

Conditions Precedent

Implementation of the Proposal is conditional upon, among other conditions:

- (a) payment by the Investor (or by such other entity as procured by the Investor) of earnest money in the sum of HK\$5,000,000 (the “**Earnest Money**”) within 3 business days from the date of the MOU to a bank account to be designated and controlled by the Receivers or their solicitors and shall only be released to the Company (in parts as appropriate to be determined by the Receivers) after the execution of the formal agreement;
- (b) all relevant approvals for the Creditors’ Scheme having been obtained; and
- (c) all relevant approvals for the Capital Reorganisation, the Placing and the Rights Issue having been obtained.

Right of First Refusal

- (a) Upon payment of the Earnest Money by the Investor, the Company and the Receivers shall enter into the formal agreement with the Investor within 14 days or such longer period (the “**Prescribed Period**”) as may be agreed in writing among the parties.
- (b) In the event that during the Prescribed Period, the Company and/or the Receivers received any other offer from an independent third party with funding proof on better or more competitive terms than the terms offered by the Investor (the “**Competing Offer**”), the Company and the Receivers undertake to inform the Investor within 3 business days of receiving the Competing Offer.

- (c) Upon receipt of notice of the Competing Offer as informed by the Company and/or the Receivers, the Investor shall have 10 days to respond to the Company and/or the Receivers to match the Competing Offer (the “**Matching Offer**”) and the parties shall enter into the formal agreement based on the terms of the Matching Offer and the terms and conditions as set out in the MOU within 5 days of receiving the Matching Offer (the “**Right of First Refusal**”).
- (d) If the Investor elects not to exercise the Right of First Refusal, the Company and the Receivers shall terminate the MOU and the Earnest Money shall be refunded in full by the Receivers or their solicitors, acting on behalf of the Company, to the Investor (without interest).
- (e) Unless the terms of the formal agreement as proposed by the Company contain material deviations from the terms of the MOU or new material terms which have not been stipulated in the MOU, the Company shall be entitled to forfeit the Earnest Money if no formal agreement has been entered into between the parties prior to the expiry of the Prescribed Period due to the reason of the Investor. In all other circumstances where no formal agreement has been entered into during the Prescribed Period, the Earnest Money shall be refunded in full by the Receivers or their solicitors, acting on behalf of the Company, to the Investor without interest.
- (f) In the event that, following the execution of the MOU, the Proposed Capital Enlargement and Creditors’ Scheme could not be completed as a result of the Company’s failure to enter into the formal agreement, the Receivers or their solicitors, acting on behalf of the Company, (but not the Receivers) shall forthwith refund the Earnest Money in full to the Investor without interest.

The Board anticipates that if the Proposed Capital Enlargement as envisaged in the MOU materialises, the amount of proceeds raised would be approximately HK\$218 million and the allotment and issue of shares of the Company pursuant to the Proposed Capital Enlargement will result in the Investor acquiring more than 30% of all the issued shares in the Company and result in the Investor having to make a mandatory general offer pursuant to Rule 26.1 of the Takeovers Code for all the issued shares in the Company (other than those already owned or agreed to be acquired by the Investor and its concert parties) unless such obligation is waived. Further announcement(s) will be made by the Company and/or the Investor if the Company and the Investor enter into formal binding agreement with regards to the Proposal in accordance with the requirement under the Takeovers Code and the Listing Rules as and when appropriate.

Reasons for entering into the MOU

The Company has been placed under receivership since May 2020 and a winding-up petition hearing is scheduled to be heard in the Hong Kong Court on 11 June 2021. The controlling shareholder of the Company, FDG Electric Vehicles Limited, voted against

the rights issue proposal put forward by the then board of directors of the Company in March 2021 and with no alternative fund raising plan, there is a high probability that the Company would be wound up by the Hong Kong Court and its assets would be sold off by the Receivers.

The Board considers that if the entering into of the formal agreement as envisaged under the MOU materialises, the funding from the Investor would significantly enhance the financial position and future prospect of the Company. Furthermore, although the MOU is still subject to the entering of formal agreement between the parties, the payment of the Earnest Money by the Investor is a show of good faith and commitment by the Investor.

Warning

The Proposal or the possible sale of the shares of the Company by the JPLs may or may not materialise, and even if materialised, may or may not result in a change of control and lead to a general offer under Rule 26.1 of the Takeovers Code. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional adviser(s).

For and on behalf of
FDG Kinetic Limited
(Receivers and Managers Appointed)
Jaime Che
Chief Executive Officer

Hong Kong, 20 May 2021

As at the date of this announcement, the board of directors of the Company comprises Mr. Jaime Che (Chief Executive Officer) and Mr. Wong Siu Hung Patrick as executive directors; and Mr. Chang Sun Bun Benson, Mr. Hung Chi Yuen Andrew and Mr. Lo Kon Ki as independent non-executive directors (and with the Company reserving its rights and position as stated in the announcement on 30 April 2021).

The directors of the Company jointly and severally accept full responsibility for the accuracy of information contained in this announcement, and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

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