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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in **FDG Electric Vehicles Limited**, you should at once hand this circular and the enclosed proxy form to the purchaser(s) or transferee(s) or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

**CONTINUING CONNECTED TRANSACTION
AND
NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



**GOLDIN FINANCIAL LIMITED
高銀融資有限公司**

Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined under the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 12 to 13 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 30 of this circular.

A notice convening the SGM to be held at Boardroom 8, Lower Lobby, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 10 November 2017 at 11:00 a.m. is set out on pages 43 to 44 of this circular. Whether or not a Shareholder is able to attend the meeting, he is requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting. Completion and return of the proxy form will not preclude a Shareholder from attending and voting in person at the meeting or any adjournment thereof should he so wish and in such event the relevant proxy form shall be deemed to be revoked.

20 October 2017

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context otherwise requires:

“Agreement”	the framework agreement dated 17 September 2017 between the Supplier and the Purchaser in relation to the sale and purchase of electric vehicles, SKD Kits and parts and components;
“Announcement”	the announcement of the Company dated 17 September 2017 in relation to the Agreement;
“Board”	the board of Directors;
“Company”	FDG Electric Vehicles Limited, a company incorporated under the laws of 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;
“connected subsidiary”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	director(s) of the Company;
“Dr. Chen”	Dr. Chen Yanping, the chief technical officer and an executive director of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors to advise the Independent Shareholders in relation to the Agreement;

DEFINITIONS

“Independent Financial Adviser”	Goldin Financial Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreement;
“Independent Shareholders”	the Shareholders other than Mr. Cao, Mr. Miao, Dr. Chen and their respective associates;
“Joint Venture Partner”	北京紫荊聚龍科技投資有限公司 (Beijing Bauhinia Julong Technology and Investment Co. Ltd.*), a limited liability company incorporated under the laws of the PRC;
“Latest Practicable Date”	17 October 2017, being the latest practicable date for the purpose of ascertaining certain information contained herein prior to the printing of this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Cao”	Mr. Cao Zhong, the chairman, chief executive officer and an executive director of the Company, and a substantial shareholder of the Company;
“Mr. Miao”	Mr. Miao Zhenguo, the deputy chairman and an executive director of the Company;
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Purchaser”	Chanje Energy, Inc., a company incorporated in the US with limited liability;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

* *For identification purpose only*

DEFINITIONS

“SGM”	the special general meeting of the Company to be held at Boardroom 8, Lower Lobby, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 10 November 2017 at 11:00 a.m. or any adjournment thereof for, among others, the purpose of considering the Agreement;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“SKD Kit(s)”	semi knock down kit(s) of vehicles;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Supplier”	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 PRC;
“US”	the United States of America;
“US\$”	the US dollar, the lawful currency of the US; and
“%”	per cent.

** For identification purpose only*

LETTER FROM THE BOARD



FDG Electric Vehicles Limited

五龍電動車(集團)有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 729)

Executive Directors:

Mr. Cao Zhong (*Chairman and Chief Executive Officer*)

Mr. Miao Zhenguo (*Deputy Chairman*)

Mr. Tong Zhiyuan (*Chief Operating Officer*)

Dr. Chen Yanping (*Chief Technical Officer*)

Mr. Lo Wing Yat

Mr. Jaime Che (*Vice President*)

Non-executive Director:

Mr. Wong Kwok Yiu

Independent Non-executive Directors:

Mr. Chan Yuk Tong

Mr. Fei Tai Hung

Mr. Tse Kam Fow

Mr. Xu Jingbin

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

***Principal Place of Business
in Hong Kong:***

Rooms 3001–3005, 30th Floor

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

20 October 2017

*To the Shareholders, and for information only, the optionholders and holders of
convertible bonds*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
AND
NOTICE OF SPECIAL GENERAL MEETING**

A. INTRODUCTION

Reference is made to the Announcement. The purpose of this circular is to provide you with (i) further details of the Agreement; (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM.

LETTER FROM THE BOARD

B. THE AGREEMENT

On 17 September 2017, the Purchaser and the Supplier entered into the Agreement. The principal terms of the Agreement are set out as follows:

Subject matter:

The purchase of electric vehicles, SKD Kits and parts and components by the Purchaser from the Supplier.

Term:

The period commencing on 17 September 2017 and ending on 31 March 2020

Pricing:

(1) Electric vehicles and/or SKD Kits:

The price per electric vehicle and/or per SKD Kit will be determined in accordance with the agreed price per unit which was formulated based on (a) the expected cost of production; (b) the size of the order; (c) the specification of the order; and (d) the exchange rate between US\$ and RMB, provided that the price per unit (i) will be reviewed every 6 months and will be adjusted to ensure that the price per unit will not be 10% higher than or 5% lower than the cost of each unit; and (ii) will not be higher than the price of the same or similar products offered by the Supplier to other independent third parties (if any).

As part of the Group's strategy to enter and gain market share in the electric vehicles market in the US, the Purchaser and the Supplier have come to an agreed price schedule as stipulated under the Agreement where the electric vehicles were expected to be sold at the expected cost of production with respect to specified ranges of purchase quantities so that the Purchaser can in turn sell the electric vehicles to the end users in the US at a competitive price. Since the actual cost of production may differ from the expected cost of production, the pricing range of 5% lower than the cost of each unit set out in paragraph (i) above was determined to ensure the sale price will not be significantly lower than the cost to the Supplier.

The pricing range of 10% higher than the cost of each unit set out in paragraph (i) above was determined to ensure the sale price will not be significantly higher than the cost to the Supplier so that it remains competitive for the Purchaser to sell in the US market.

(2) Parts and components:

The price of parts and components will be determined in accordance with the cost plus a profit margin of 18% and such price will not be higher than the price of the same or similar products offered by the Supplier to other independent third parties (if any).

The profit margin of 18% was determined with reference to the current range of profit margins for the sale of parts and components of electric vehicles by companies

LETTER FROM THE BOARD

engaged in the manufacturing and sale of electric vehicles in the PRC based on market research conducted by the Company.

Payment terms:

On the date of the invoice, the Purchaser shall use its reasonable endeavour to provide a letter of credit to the Supplier for at least 50% of the total consideration as deposit, failing of which, the Purchaser shall pay 35% of the total consideration as deposit. The balance of the consideration shall be paid on a date as specified by the Supplier which shall be within 60 days after delivery of the relevant product.

Condition:

The Agreement is conditional upon the passing of an ordinary resolution by the Independent Shareholders at the SGM by way of a poll to approve the Agreement (including the annual caps).

Annual caps:

The proposed maximum transaction amounts for the three years ending 31 March 2018, 2019 and 2020 are as follows:

2018 (US\$)	2019 (US\$)	2020 (US\$)
219,936,750	1,047,750,000	1,553,750,000

The above annual caps were determined with reference to:

- (1) the estimated transaction amounts for the purchase of the electric vehicles and/or SKD Kits being the product of the estimated demand of the electric vehicles and/or SKD Kits in the US and the estimated prices of the electric vehicles and/or SKD Kits;

the estimated demand of the electric vehicles and/or SKD Kits was determined based on negotiations between the Supplier and the Purchaser which considered (i) the estimated demand notified by the Purchaser to the Supplier; and (ii) the production capacity of the factories of the Supplier (also taking into account the potential expansion of capacity) with respect to the electric vehicles and/or SKD Kits;

the Purchaser forecasted the purchase quantities of electric vehicles for the year ending 31 March 2018, taking into account (a) the market size for the relevant products in the US of over 500,000 units in 2016 according to The Association for the Work Truck Industry; (b) the Purchaser's internal analysis of potential demand from target customers; (c) competitive products available in the market; and (d) the competitive pricing adopted in the sale of the electric vehicles;

the estimated purchase quantities of electric vehicles for the two years ending 31 March 2020 were further forecasted to be growing at a rate of approximately 496.42% and 66.67% from the respective previous years, taking into account the above-mentioned factors and the growth of the electric vehicles market in the US;

LETTER FROM THE BOARD

the utilization rates of production capacity of the Supplier for the three years ending 31 March 2020 were estimated to be 40%, 80% and 100%, respectively, based on management's planned ramp-up schedule to match with the increasing demand of electric vehicles from the Purchaser;

the estimated price of the electric vehicles and/or SKD Kits was determined on a confidential basis with a view to securing competitive advantages for the Company in the market, taking into account (a) the expected cost of production; (b) the size of the order; (c) the specification of the order; and (d) the exchange rate between US\$ and RMB, provided that the price per unit (i) will be reviewed every 6 months and will be adjusted to ensure that the price per unit will not be 10% higher than or 5% lower than the cost of each unit; and (ii) will not be higher than the price of the same or similar products offered by the Supplier to other independent third parties (if any);

- (2) the estimated transaction amounts for the purchase of the parts and components being the product of the estimated transaction amount of electric vehicles and/or SKD Kits sold in the US and the estimated demand of parts and components required for maintenance of such electric vehicles;

the estimated demand of parts and components is determined with reference to the estimated demand of the electric vehicles and/or SKD Kits as explained in paragraph (1) above as the parts and components will be applied towards the electric vehicles supplied by the Supplier for their maintenance;

the estimated demand of parts and components required for maintenance of such electric vehicles represents 10% of the total transaction amount for the purchase of electric vehicles and/or SKD Kits under each of the three years ending 31 March 2020 respectively which was determined with reference to the warranty accruals of automobile manufacturing companies in the US; and

- (3) the anticipated growth in the demand for electric vehicles for the relevant period.

Prior to entering into the Agreement, the Supplier and the Purchaser entered into two one-off agreements (the "**September Agreements**") on 8 September 2017 for the supply of (i) 90 units of electric vehicles to the Purchaser at a price of US\$100,000 per unit of electric vehicle; and (ii) 1,757 units of relevant spare parts for the electric vehicles to the Purchaser at a consideration of US\$365,403. Details of the September Agreements have been disclosed in the announcement of the Company dated 8 September 2017. After entering into the September Agreements, the Supplier and the Purchaser agreed to enter into the Agreement to provide for a long-term framework for and formalise the continuous transactions between the parties. The September Agreements formed part of the basis for determining the annual caps. The proposed annual caps included the transaction amounts under the September Agreements and the consideration payable by the Purchaser under the September Agreements were also in line with the pricing mechanism of the Agreement.

LETTER FROM THE BOARD

C. INTERNAL CONTROL

The following internal control measures will be adopted in connection with the Agreement:

- (1) The purchasing department will regularly examine the relevant pricing terms by collecting the relevant market information, reviewing and comparing the quotations obtained from at least two independent suppliers for identical or comparable products to ensure that the fee quotes will be on terms no less favourable to the Purchaser than those offered by independent third parties, if any.
- (2) The finance department would take proper records of the actual transaction amounts between the Supplier and the Purchaser. It would review the aggregate transaction amounts on a monthly basis. To ensure that the annual caps would not be exceeded, the finance department would alert the management and purchasing team when the aggregate transaction amounts reach 75% of the annual caps.
- (3) The Company's internal control department will implement periodic internal checks quarterly to ensure that the procedures of connected transactions are conformed with the internal control system of the Company, the annual caps will be complied with and that pricing under the purchase orders is consistent with the terms and conditions of the Agreement by random inspection of the quotations from independent suppliers, the pricing terms, payment arrangements and actual transaction amounts as well as preparing periodic report.
- (4) The Company's external auditors will conduct an annual review of the pricing and the transaction volume vis-à-vis the annual caps under the Agreement.
- (5) The Company's audit committee will review at least twice a year the transactions under the Agreement and recommend any proposals to improve the internal controls.
- (6) The Company's independent non-executive Directors will annually review the implementation and enforcement of the requirements and the internal controls imposed on the Agreement.

D. INFORMATION OF THE PARTIES

(1) The Group

The Group is an integrated electric vehicle manufacturer. It is principally engaged in (i) research and development, design, manufacture and sale of electric vehicles; (ii) leasing of electric vehicles; (iii) research and development, production and sale of lithium-ion batteries and related products; (iv) research and development, manufacture and sale of cathode materials for lithium-ion batteries; and (v) direct investments.

LETTER FROM THE BOARD

(2) The Purchaser

The Purchaser is a company incorporated in the US with limited liability. It is principally engaged in the sale and distribution of electric vehicles in the US. The Purchaser is deemed to be a non-wholly owned subsidiary of the Company under the Listing Rules. For accounting purposes, it was and will continue to be accounted for as a joint venture of the Group as the Group does not control the board of directors of the Purchaser in accordance with the joint venture agreement of the Purchaser.

(3) The Supplier

The Supplier is a company established under the laws of the PRC with limited liability. It is principally engaged in the manufacture and distribution of electric vehicles.

The Supplier is owned as to 50.17% by the Company and as to 49.83% by the Joint Venture Partner. The Joint Venture Partner is owned as to:

- i. 49.834% by a group of affiliated limited liability partnerships in which Mr. Cao has an aggregate effective interest of 69.98%, Mr. Miao has an aggregate effective interest of 20.02% and Dr. Chen has an aggregate effective interest of 10%. Mr. Cao is a substantial Shareholder. Each of Mr. Cao, Mr. Miao and Dr. Chen is an executive Director and hence a connected person of the Company;
- ii. 50% by 杭州余杭經開股權投資基金合夥企業(有限合夥)(Hangzhou Yuhang Economic-Technological Development Area Share Investment Fund LLP*), which is not a connected person of the Company; and
- iii. 0.166% by unrelated independent minority shareholders.

E. REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

The transactions contemplated under the Agreement will allow the Group to sell its electric vehicles to the Purchaser which would distribute the electric vehicles to end users in the US. The Purchaser also plans to assemble the SKD Kits into electric vehicles in the US and distribute to end users in the US. The supply arrangement under the Agreement will lead to an increase in the sales of the Group's electric vehicles and provide the opportunities to market the Group's electric vehicle designs and products, and enable the Group to build its brand recognition and capture market share in the global electric vehicles market.

The Board (excluding Mr. Cao, Mr. Miao, Dr. Chen and including the independent non-executive Directors who have taken into account the opinion and advice of the Independent Financial Adviser) is of the view that the terms of the Agreement (including the proposed annual caps) are fair and reasonable, and on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole.

Mr. Cao, Mr. Miao and Dr. Chen, by reason of their interests in the Joint Venture Partner, have abstained from voting on the relevant resolutions of the Board to approve the Agreement and the annual caps of the transactions contemplated thereunder.

* For identification purpose only

LETTER FROM THE BOARD

F. LISTING RULES IMPLICATIONS

The Supplier is a connected subsidiary of the Company under Rule 14A.16(1) of the Listing Rules and hence a connected person of the Company under Rule 14A.07(5) of the Listing Rules.

As all the applicable percentage ratios for the Agreement exceed 5%, the transactions contemplated under the Agreement are non-exempt continuing connected transactions of the Company and are subject to Independent Shareholders' approval, reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

G. GENERAL

The Agreement is conditional upon approval by Independent Shareholders at the SGM.

An independent board committee of the Company comprising the independent non-executive Directors has been constituted to advise the Independent Shareholders on the Agreement. The Company has appointed Goldin Financial Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Agreement.

H. SGM

A notice convening the SGM is set out on pages 43 to 44 of this circular.

The SGM will be convened and held at Boardroom 8, Lower Lobby, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 10 November 2017 at 11:00 a.m. to consider and if thought fit, to approve the Agreement and the annual caps of the transactions contemplated thereunder.

Whether or not a Shareholder is able to attend the SGM, he/she is requested to complete the proxy form in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude a Shareholder from attending and voting in person at the SGM or any adjournment thereof should he/she so wish. In the event that a Shareholder having lodged a proxy form attends the SGM, his/her proxy form will be deemed to be revoked. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. As such, the resolution set out in the notice of the SGM will be decided by poll.

Any Shareholder with a material interest in the Agreement and his/her/its associate(s) is (are) required to abstain from voting on the resolution approving the Agreement and the annual caps of the transactions contemplated thereunder.

LETTER FROM THE BOARD

As at the Latest Practicable Date,

- (i) Mr. Cao is interested in 2,657,859,998 Shares (representing approximately 11.86% of the total issued Shares), including (i) 2,311,059,998 Shares held by Long Hing International Limited which is a company wholly owned by him; (ii) 340,000,000 Shares held by Champion Rise International Limited which is a company wholly owned by him; and (iii) 6,800,000 Shares held by him;
- (ii) Mr. Miao is interested in 1,970,551,043 Shares (representing approximately 8.79% of the total issued Shares), including (i) 1,806,301,043 Shares held by Union Ever Holdings Limited which is a company wholly owned by him; and (ii) 164,250,000 Shares held by Infinity Wealth International Limited which is a company wholly owned by him; and
- (iii) Dr. Chen is interested in 658,125,000 Shares (representing approximately 2.94% of the total issued Shares) held by Captain Century Limited which is owned as to 60% by Dr. Chen and 40% by his spouse.

Accordingly, 5,286,536,041 Shares, representing approximately 23.59% of the total issued Shares, will be required to abstain from voting on the resolution approving the Agreement and the annual caps of the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, except as disclosed above, there are no other Shareholders who have a material interest in the Agreement. As such, no other Shareholders will be required to abstain from voting on the resolution approving the Agreement and the annual caps of the transactions contemplated thereunder.

I. RECOMMENDATION

The Board (excluding Mr. Cao, Mr. Miao and Dr. Chen and including the Independent Board Committee, after considering the opinion and advice of the Independent Financial Adviser) consider that the Agreement and the annual caps of the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Agreement and the annual caps of the transactions contemplated thereunder.

J. FURTHER INFORMATION

Your attention is drawn to the other sections and the appendix of this circular.

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



FDG Electric Vehicles Limited

五龍電動車(集團)有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 729)

20 October 2017

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION

We refer to the circular of the Company to the Shareholders dated 20 October 2017 (the “**Circular**”), in which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Agreement and the annual caps of the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and the transactions are in the interests of the Company and the Shareholders as a whole and as to the voting action that should be taken.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 11 of the Circular, and the letter of advice and recommendation from the Independent Financial Adviser, as set out on pages 14 to 30 of the Circular.

Having considered the terms of the Agreement, the annual caps of the transactions contemplated thereunder and the advice given by the Independent Financial Adviser, we are of the opinion that the Agreement and the annual caps of the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and the transactions are in the interests of the Company and the Shareholders as a whole and are on normal commercial terms and in the ordinary and usual course of business of the Group.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Agreement and the annual caps of the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Chan Yuk Tong

Mr. Fei Tai Hung

Mr. Tse Kam Fow

Mr. Xu Jingbin

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Agreement which has been prepared for the purpose of inclusion in this circular.



GOLDIN FINANCIAL LIMITED
高銀融資有限公司

Goldin Financial Limited
Suites 2202–2209, 22/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

20 October 2017

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the continuing connected transactions contemplated under the Agreement, details of which are set out in the Announcement and the letter from the board (the “**Letter from the Board**”) in the circular of the Company dated 20 October 2017 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless specified otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

The Supplier is a connected subsidiary of the Company under Rule 14A.16(1) of the Listing Rules and hence a connected person of the Company under Rule 14A.07(5) of the Listing Rules. As all the applicable percentage ratios for the Agreement exceed 5%, the transactions contemplated under the Agreement are non-exempt continuing connected transactions of the Company and are subject to Independent Shareholders’ approval, reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules. The Agreement is conditional upon approval by Independent Shareholders at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising Mr. Chan Yuk Tong, Mr. Fei Tai Hung, Mr. Tse Kam Fow and Mr. Xu Jingbin, being the independent non-executive Directors, has been constituted to advise the Independent Shareholders on the Agreement.

We, Goldin Financial Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Agreement, and to make a recommendation as to, among others, whether the terms under the Agreement, including the proposed annual caps, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and as to voting in respect of the resolution at the SGM. Our appointment has been approved by the Board.

We are independent pursuant to Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreement. As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Within the two years prior to the Latest Practicable Date, we have acted as independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to (i) a connected transaction regarding the subscription of new shares of the Company under specific mandate and application of whitewash waiver; and (ii) continuing connected transactions of the Company, details of which are set out in the circulars of the Company dated 29 January 2016 and 19 May 2017, respectively. Apart from normal professional fees paid to us in connection with the aforesaid appointments, no arrangements exist whereby we have received any fees or benefits from the Company or any other party to the transactions during the two years prior to the Latest Practicable Date, therefore we consider such relationship would not affect our independence.

BASIS OF OUR ADVICE

In formulating our opinion and recommendations, we have reviewed, inter alia, the Announcement, the Agreement and the financial statements of the Group for the year ended 31 March 2017. We have also reviewed certain information provided by the management of the Company relating to the operations, financial conditions and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the Agreement, and the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as at the Latest Practicable Date and we have relied upon them in formulating our opinion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise made to us by the Directors and the management of the Company for which they are solely responsible, were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material respects as at the date of the SGM and Shareholders will be notified of material changes (if any) of the information contained in the Circular. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the Agreement to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their considerations of the Agreement, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In forming our recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Agreement, we have taken into account the following principal factors and reasons:

1. Information on the Group, the Purchaser and the Supplier

The Group is an integrated electric vehicle manufacturer. It is principally engaged in (i) research and development, design, manufacture and sale of electric vehicles; (ii) leasing of electric vehicles; (iii) research and development, production and sale of lithium-ion batteries and related products; (iv) research and development, manufacture and sale of cathode materials for lithium-ion batteries; and (v) direct investments.

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The Purchaser is a company incorporated in the US with limited liability. It is principally engaged in the sale and distribution of electric vehicles in the US. The Purchaser is deemed to be a non-wholly owned subsidiary of the Company under the Listing Rules. For accounting purposes, it was and will continue to be accounted for as a joint venture of the Group as the Group does not control the board of directors of the Purchaser in accordance with the joint venture agreement of the Purchaser.

The Supplier is a company established under the laws of the PRC with limited liability. It is principally engaged in the manufacture and distribution of electric vehicles. The Supplier is owned as to 50.17% by the Company and as to 49.83% by the Joint Venture Partner. The Joint Venture Partner is owned as to:

- i. 49.834% by a group of affiliated limited liability partnerships in which Mr. Cao has an aggregate effective interest of 69.98%, Mr. Miao has an aggregate effective interest of 20.02% and Dr. Chen has an aggregate effective interest of 10%. Mr. Cao is a substantial shareholder of the Company. Each of Mr. Cao, Mr. Miao and Dr. Chen is an executive Director and hence a connected person of the Company;
- ii. 50% by 杭州余杭經開股權投資基金合夥企業(有限合夥)(Hangzhou Yuhang Economic-Technological Development Area Share Investment Fund LLP*), which is not a connected person of the Company; and
- iii. 0.166% by unrelated independent minority shareholders.

The Supplier is a connected subsidiary of the Company under Rule 14A.16(1) of the Listing Rules and hence a connected person of the Company under Rule 14A.07(5) of the Listing Rules.

2. Reasons for and benefits of entering into the Agreement

The transactions contemplated under the Agreement will allow the Group to sell its electric vehicles to the Purchaser which would distribute the electric vehicles to end users in the US. The Purchaser also plans to assemble the SKD Kits into electric vehicles in the US and distribute to end users in the US. The supply arrangement under the Agreement will lead to an increase in the sales of the Group's electric vehicles and provide the opportunities to market the Group's electric vehicle designs and products, and enable the Group to build its brand recognition and capture market share in the global electric vehicles market.

On the other hand, various risk control measures (as further discussed in the below section headed "**3. Internal control measures within the Group**") will be adopted by the Group to govern the conduct of the continuing connected transactions under the Agreement and safeguard the interests of the Independent Shareholders.

* For identification purpose only

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Taking into consideration that (i) the Purchaser would secure a constant supply of electric vehicles, SKD Kits and parts and components from the Supplier for the duration of about three years under the Agreement for its sale and distribution in the US thereby (a) increasing the sale of the Group's electric vehicles and (b) enabling the Group to establish its presence and seize the market share in the electric vehicle market in the US; and (ii) various internal control measures (as further discussed in the below section headed "**3. Internal control measures within the Group**") will be put in place to monitor the conduct and ensure compliance of the transactions under the Agreement, we are of the view that the entering into of the Agreement is in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

3. Internal control measures within the Group

As detailed in the Letter from the Board, various internal control measures will be adopted in connection with the Agreement as follows:

- (i) The purchasing department will regularly examine the relevant pricing terms by collecting the relevant market information, reviewing and comparing the quotations obtained from at least two independent suppliers for identical or comparable products to ensure that the fee quotes will be on terms no less favourable to the Purchaser than those offered by independent third parties, if any.
- (ii) The finance department would take proper records of the actual transaction amounts between the Supplier and the Purchaser. It would review the aggregate transaction amounts on the monthly basis. To ensure that the annual caps would not be exceeded, the finance department would alert the management and purchasing team when the aggregate transaction amounts reach 75% of the annual caps.
- (iii) The Company's internal control department will implement periodic internal checks quarterly to ensure that the procedures of connected transactions are conformed with the internal control system of the Company, the annual caps will be complied with and that pricing under the purchase orders is consistent with the terms and conditions of the Agreement by random inspection of the quotations from independent suppliers, the pricing terms, payment arrangements and actual transaction amounts as well as preparing periodic report.
- (iv) The Company's external auditors will conduct an annual review of the pricing and the transaction volume vis-à-vis the annual caps under the Agreement.
- (v) The Company's audit committee will review at least twice a year the transactions under the Agreement and recommend any proposals to improve the internal controls.

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- (vi) The Company's independent non-executive Directors will annually review the implementation and enforcement of the requirements and the internal controls imposed on the Agreement.

Taking into account the above internal control measures, in particular, (i) the ongoing monitoring and internal evaluation on the pricing terms under the Agreement to ensure that the prices set will be no less favourable to the Purchaser than those offered by independent third parties; and (ii) the respective annual review by the external auditors of the Company and the independent non-executive Directors regarding the compliance of the terms under the Agreement and improvement of the internal control policies, we are of the view that appropriate and adequate measures will be in place to ensure compliance with the terms of the Agreement and to safeguard the interest of the Independent Shareholders.

4. Principal terms of the Agreement

Pricing terms

Pursuant to the Agreement, the Purchaser will purchase electric vehicles, SKD Kits and parts and components from the Supplier for the period commencing on 17 September 2017 and ending on 31 March 2020. The price per electric vehicle and/or per SKD Kit will be determined in accordance with the agreed price per unit which was formulated based on (a) the expected cost of production; (b) the size of the order; (c) the specification of the order; and (d) the exchange rate between US\$ and RMB, provided that the price per unit (i) will be reviewed every 6 months and will be adjusted to ensure that the price per unit will not be 10% higher than or 5% lower than the cost of each unit; and (ii) will not be higher than the price of the same or similar products offered by the Supplier to other independent third parties (if any). As part of the Group's strategy to enter and gain market share in the electric vehicles market in the US, the Purchaser and the Supplier have come to an agreed price schedule as stipulated under the Agreement where the electric vehicles were expected to be sold at the expected cost of production with respect to specified ranges of purchase quantities so that the Purchaser can in turn sell the electric vehicles to the end users in the US at a competitive price. Since the actual cost of production may differ from the expected cost of production, the pricing range of 5% lower than the cost of each unit was determined to ensure the sale price will not be significantly lower than the cost to the Supplier. The pricing range of 10% higher than the cost of each unit was determined to ensure the sale price will not be significantly higher than the cost to the Supplier so that it remains competitive for the Purchaser to sell in the US market. The price of parts and components will be determined in accordance with the cost plus a profit margin of 18% and such price will not be higher than the price of the same or similar products offered by the Supplier to other independent third parties (if any). The profit margin of 18% was determined with reference to the current range of

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profit margins for the sale of parts and components of electric vehicles by companies engaged in the manufacturing and sale of electric vehicles in the PRC based on market research conducted by the Company.

We noted from the Agreement that volume discount will be offered to the Purchaser if the purchase quantity of electric vehicles and/or SKD Kits reaches specified levels. We have reviewed the agreed price schedule as stipulated under the Agreement which shows the volume discounts offered at specified ranges of purchase quantities and we noticed that the purchase price per electric vehicle and/or per SKD Kit will be lower if the Purchaser orders a larger quantity of units, and vice versa, and that the discount rates offered at the specified ranges of purchase quantities for the electric vehicles and/or SKD Kits are not materially excessive. As confirmed with the management of the Company, similar volume discount mechanism will be applicable to all independent third parties such that the unit price of similar purchase quantity of electric vehicles and/or SKD Kits will not be higher than the price of the same or similar products offered by the Supplier to other independent third parties.

We understand that similar pricing policy for the purchase of similar models of electric vehicles and/or SKD Kits with similar quantity will be applied to all independent third parties, if any. In assessing the fairness and reasonableness of the pricing terms under the Agreement, in respect of the purchase of electric vehicles and/or SKD Kits, we have attempted to assess the pricing term through comparison with purchase/supply under similar quantity but noted that there are no historical transactions between the Purchaser/Supplier and independent third parties for the purchase/supply of electric vehicles and/or SKD Kits and/or parts and components in the US. Alternatively, without considering the quantity factor, and taking into account the same nature of electric vehicles and SKD Kits given that each pack of the SKD Kits to be supplied by the Supplier will be assembled into electric vehicles, we have reviewed (i) the existing sale and purchase agreement dated 8 September 2017 between the Supplier as the supplier of electric vehicles and the Purchaser (the “**Existing Agreement**”), which represent all existing transactions between the Supplier and the Purchaser in respect of the sale and purchase of electric vehicles in the US; and (ii) four sets of agreements provided by the Company which were carried out during the period from 1 April 2016 to 31 August 2017 between the Supplier as supplier of electric vehicles in the PRC and independent third parties (the “**I3P Agreements**”), which represent over 30% of the total transaction amount recognised during the relevant period and we consider such I3P Agreements to be representative. Considering that (i) the Existing Agreement is the only historical agreement between the Supplier and the Purchaser for the purchase of electric vehicles and/or SKD Kits in the US which is similar to the transactions under the Agreement; and (ii) the I3P Agreements which represent over 30% of the total transaction amount recognised during the relevant period are representative, we are of the view that the referencing to the Existing Agreement and the I3P Agreements are sufficient for us to form our

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view on the fairness and reasonableness of the pricing terms under the Agreement. We were given to understand that the electric vehicles under the Existing Agreement and the I3P Agreements are comparable with the electric vehicles under the Agreement in terms of specification. We noted that the unit price of electric vehicles under the Existing Agreement is in line with the agreed price schedule under the Agreement. Save for one agreement among the I3P Agreements of which the cost for the relevant electric vehicles has yet to be determined as at the Latest Practicable Date, we noted that the profit margins charged by the Supplier under the I3P Agreements are higher than the profit margin charged by the Supplier under the Agreement.

Considering that (i) the price of electric vehicles under the Existing Agreement are in line with the pricing term under the Agreement; (ii) the profit margin charged to independent third parties under the I3P Agreements are higher than those charged to the Purchaser under the Agreement; (iii) the price of electric vehicles and/or SKD Kits will be no less favourable to the Purchaser than the prices of same or similar products charged by the Supplier to independent third parties; and (iv) the volume discount under the agreed price schedule for the purchase of electric vehicles and/or SKD Kits based on the purchase quantity is commercially viable, we consider that the pricing of electric vehicles and/or SKD Kits under the Agreement are fair and reasonable.

In respect of the purchase of parts and components, we were given to understand that the mark-up of 18% charged by the Supplier on top of the cost of parts and components were determined with reference to the gross profit margin of auto parts and components in the automobile market in the PRC. We have reviewed the gross profit margin of auto parts and components from companies listed in the PRC which (i) are principally engaged in the manufacture and/or sale of commercial and/or passenger vehicles and the manufacture and/or sale of auto parts and components in the PRC; (ii) derived over 80% of revenue from the sale of vehicles and auto parts and components (the “**Relevant Business**”) as disclosed in the latest respective published annual reports; and (iii) have separately disclosed the respective gross profit margins of the sale of auto parts and components in the latest respective published annual reports. We have, to the best of our knowledge and on a best-effort basis, identified an exhaustive list of eight comparable companies (the “**Comparables**”). Set out below are a summary of the Comparables.

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Company name	Stock code	Portion of revenue derived from the Relevant Business <i>Approximate %</i>	Gross profit margins of the sale of auto parts and components <i>Approximate %</i>
Liaoning SG Automotive Group Co., Ltd (遼寧曙光汽車集團股份有限公司)	600303.SH	98.07	28.36
Anhui Ankai Automobile Co., Ltd (安徽安凱汽車股份有限公司)	000868.SZ	100.00	7.59
SAIC Motor Corporation Limited (上海汽車集團股份有限公司)	600104.SH	93.68	20.40
Zhongtong Bus Holding Co., Ltd (中通客車控股股份有限公司)	000957.SZ	100.00	14.40
Shenyang Jinbei Automotive Company Limited (金杯汽車股份有限公司)	600609.SH	97.81	20.73
Great Wall Motor Company Limited (長城汽車股份有限公司)	601633.SH	98.72	33.58
Dongfeng Electronic Technology Co., Ltd. (東風電子科技股份有限公司)	600081.SH	91.22	18.89
Changzhou Xingyu Automotive Lighting Systems Co., Ltd. (常州星宇車燈股份有限公司)	601799.SH	91.39	16.41 ^(Note)
		Maximum	33.58
		Minimum	7.59
		Average	20.05

Source: <http://www.sse.com.cn/> and <http://www.szse.cn/>

Note: The gross profit margin of the sale of auto parts and components of the Comparable is calculated as the average of gross profit margins of the respective spare parts as disclosed in its latest published annual report.

We noted that the mark-up of 18% over the cost of parts and components charged by the Supplier under the Agreement falls within the market range from approximately 7.59% to approximately 33.58% represented by the Comparables and is lower than the average profit margin of the Comparables of approximately 20.05%. Considering that (i) the mark-up charged by the Supplier in respect of parts and components is generally in line with the overall

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profit margin of auto parts and components in the market; and (ii) the price of parts and components will be no less favourable to the Purchaser than the prices of the same or similar products charged by the Supplier to independent third parties, we consider that the pricing for parts and components under the Agreement are fair and reasonable.

Payment terms

Pursuant to the Agreement, on the date of the invoice, the Purchaser shall use its reasonable endeavour to provide a letter of credit to the Supplier for at least 50% of the total consideration as deposit, failing of which, the Purchaser shall pay 35% of the total consideration as deposit. The balance of the consideration shall be paid on a date as specified by the Supplier which shall be within 60 days after delivery of the relevant product.

As the electric vehicles, SKD Kits and parts and components will be delivered by the Supplier from the PRC to the US, we have attempted to assess the payment terms through comparison with purchase/supply under similar delivery arrangement. As advised by the Company, there are no historical transactions between the Purchaser/Supplier and independent third parties for the purchase/supply of electric vehicles and/or SKD Kits and/or parts and components from the PRC to the US. Alternatively, we have therefore reviewed the payment terms under the Existing Agreement. We noted that the payment terms under the Existing Agreement are similar to those under the Agreement. We noted that the Supplier has been supplying electric vehicles within the PRC by ground domestic delivery under the I3P Agreements while under the Agreement, the Supplier will deliver electric vehicles and/or SKD Kits and parts and components to the Purchaser by shipment to the US. Despite the different forms of delivery under the I3P Agreements and the Agreement, we have nevertheless reviewed the payment terms under the I3P Agreements and we noted that such payment terms are similar to those contemplated under the Agreement which involve (i) upfront deposit payment(s) soon after the execution of the relevant agreements; and (ii) settlement of the remaining balance upon delivery or licensing of the relevant vehicles. We have attempted to conduct research from the public domain regarding the payment arrangement of transactions in the US which are similar to those under the Agreement. However, given the terms of similar transactions are private and confidential commercial terms between the parties to the relevant agreements, we cannot identify any similar payment arrangement in the US. Despite the absence of reference of industry practice regarding the payment arrangement, we were advised that the range of 35% to 50% of upfront deposit payment under the Agreement were determined based on the current practice of the Group in respect of sale and purchase of electric vehicles and/or SKD Kits and/or parts and components and taking into account the delivery of products from the PRC to the US which is new to the Group. In addition, we understand that the payment terms under the Agreement will be no less favourable to the Purchaser

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than the payment terms offered by the Supplier to other independent third parties for the purchase of similar products in the US, if any. During our course of review, we have not identified any issues which caused us to cast doubt on the payment terms under the Agreement. As such, we consider that the payment terms under the Agreement are fairly in line with common market practice and are fair and reasonable.

Taking into account (i) the respective pricing terms of electric vehicles and/or SKD Kits and parts and components are fair and reasonable; (ii) the price of the electric vehicles, SKD Kits and parts and components will be no less favourable to the Purchaser than the prices of similar products offered by the Supplier to other independent third parties; (iii) the payment terms under the Agreement are in general common practice of the Company and the market; and (iv) various internal control measures will be put in place within the Group to ensure compliance with the terms under the Agreement (as further discussed in the above section headed “**3. Internal control measures within the Group**”), we are of the view that the terms of the Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Proposed annual caps for the three years ending 31 March 2020

The Company estimated the proposed annual caps under the Agreement for the three years ending 31 March 2020 to be US\$219,936,750, US\$1,047,750,000 and US\$1,553,750,000, respectively.

As stated in the Letter from the Board, the proposed annual caps were determined with reference to:

- (1) the estimated transaction amounts for the purchase of the electric vehicle and/or SKD Kits being the product of (A) the estimated demand of the electric vehicles and/or SKD Kits in the US and (B) the estimated prices of the electric vehicles and/or SKD Kits which,
 - (A) the estimated demand of the electric vehicles and/or SKD Kits was determined based on negotiations between the Supplier and the Purchaser which considered (i) the estimated demand notified by the Purchaser to the Supplier; (ii) the production capacity of the factories of the Supplier (also taking into account the potential expansion of capacity) with respect to the electric vehicles and/or SKD Kits, the utilisation of which were estimated to be 40%, 80% and 100% for the three years ending 31 March 2018 respectively based on management’s planned ramp-up schedule to match the increasing demand of electric vehicles from the Purchaser; (iii) the purchase quantities of electric vehicles for the year ending 31 March 2018 taking to account (a) the market size for the relevant products in the US of over 500,000 units in 2016 according to The Association for the Work

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Truck Industry; (b) the Purchaser's internal analysis of potential demand from target customers; (c) competitive products available in the market and (d) competitive pricing adopted in the sale of the electric vehicles; and (iv) the purchase quantities of electric vehicles for the two years ending 31 March 2020 which were forecasted to be growing at a rate of approximately 496.42% and 66.67% from the respective previous years taking into account the above factors and expected growth of the electric vehicles market in the US; and

- (B) the estimated price of the electric vehicles and/or SKD Kits was determined on a confidential basis with a view to securing competitive advantages for the Company in the market, taking into account (a) the expected cost of production; (b) the size of the order; (c) the specification of the order; and (d) the exchange rate between US\$ and RMB, provided that the price per unit will be reviewed every 6 months and will be adjusted to ensure that the price per unit will not be 10% higher than or 5% lower than the cost of each unit and will not be higher than the price of the same or similar products offered by the Supplier to other independent third parties (if any);
- (2) the estimated transaction amounts for the purchase of the parts and components being the product of the estimated transaction amount of electric vehicles and/or SKD Kits sold in the US as the parts and components will be applied towards the electric vehicles supplied by the Supplier for their maintenance, and the estimated demand of parts and components required for maintenance of such electric vehicles represents 10% of the total transaction amount for the purchase of electric vehicles and/or SKD Kits under each of the three years ending 31 March 2020 respectively which was determined with reference to the warranty accruals of automobile manufacturing companies in the US; and
- (3) the anticipated growth in the demand for electric vehicles for the relevant period.

The proposed annual cap for the year ending 31 March 2019 represents an increase of approximately 376.39% from the proposed annual cap for the year ending 31 March 2018 while the proposed annual cap for the year ending 31 March 2020 represents an increase of approximately 48.29% from the proposed annual cap for the year ending 31 March 2019. We have reviewed the calculation breakdown of the proposed annual caps provided by the management of the Company and we noted that the proposed annual cap for each of the three years ending 31 March 2020 comprised (i) the estimated transaction amount of electric vehicles and/or SKD Kits; and (ii) the estimated transaction amount of parts and components. In assessing the fairness and reasonableness of the proposed annual caps, we have taken into account the following factors:

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- (i) *Estimated demand of the electric vehicles and SKD Kits in the US and the estimated retail price per electric vehicle and per SKD Kit*

In assessing the estimated transaction amounts for the purchase of electric vehicles and/or SKD Kits, we noted that such amounts are based on (1) the estimated purchase quantity of electric vehicles and/or SKD Kits and (2) the estimated retail price per electric vehicle and/or per SKD Kit. We have reviewed the purchase quantity regarding the purchase of electric vehicles by the Purchaser under the Existing Agreement in the amount of 90 units of electric vehicles and we were advised that the Purchaser is currently in the course of negotiation with the Supplier in respect of the purchase of electric vehicles and/or SKD Kits, the expected purchase amount of which represents the estimated purchase quantity of electric vehicles and/or SKD Kits for the year ending 31 March 2018. We were advised that the executed purchase quantity of 90 units of electric vehicles under the Existing Agreement has been included for the determination of the proposed annual cap for the year ending 31 March 2018. We noted that the expected purchase order for the year ending 31 March 2018 is significantly larger than the executed purchase quantity under the Existing Agreement. However, taking into account (i) the estimated demand of electric vehicles and/or SKD Kits notified by the Purchaser to the Supplier after the Purchaser's internal assessment of the potential demand from its target customers for the relevant period; (ii) such estimated demand of electric vehicles and/or SKD Kits is within the production capacity of the factories of the Supplier (as elaborated below) for the relevant period; and (iii) the expected growing demand of electric vehicles in the US (as elaborated below), we consider that the estimated purchase quantity of electric vehicles and/or SKD Kits for the year ending 31 March 2018 is fair and reasonable.

We noted that the estimated purchase quantities of electric vehicles for the two years ending 31 March 2020 represent year-on-year increases of approximately 496.42% and 66.67% from the respective previous years. Considering that the electric vehicles and/or SKD Kits to be supplied by the Supplier under the Agreement are for commercial and logistic uses, we have made reference to the recent development of the logistic industry as well as the electric vehicles market in the US. Based on the Connecting to Compete 2016 - Trade Logistics in the Global Economy issued by The World Bank, an international financial institution, the US was among the top leading logistics markets in 2016, which recorded a Logistics Performance Index ("LPI") of 3.99, only 0.24 point away from Germany which ranked the first place in 2016. The LPI is a widely used benchmarking tool that measures performance on trade logistics across 160 countries. It is stated that the demand for green logistics is associated with a higher degree of logistics performance, implying a relatively high demand for electric vehicles in the US logistics industry. According to the Tracking Clean Energy Progress 2017 issued by the International Energy Agency in June 2017 (the "**Report**"), an autonomous intergovernmental

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organisation established under the framework of the Organisation for Economic Co-operation and Development, the US was the third largest electric vehicles market with 160,000 units of electric vehicles sold in 2016, accounting for around a quarter of the aggregate number of electric vehicles sold in the world in 2016. Based on the Advanced Energy Now - 2017 Market Report issued by Advanced Energy Economy (AEE) and Navigant Research, where AEE is a national association aiming to make the global energy system more efficient and Navigant Research is a professional market research and advisory group which analyse on global clean technology market, the revenue of plug-in electric vehicles in the US has shown an increasing trend in the past six years, and it is expected that revenue would grow at a compound annual growth rate of approximately 21% throughout 2018 to 2025. In respect of governmental policies in the US, in order to encourage compliance towards energy-saving standards, the US government has introduced a series of measures to promote clean energy in the logistics market, including but not limited to the Guiding Principles to Promote Electric Vehicles and Charging Infrastructure announced on 21 July 2016, which aims to promote the adoption of electric vehicles and to establish a more convenient and effective power-charge system for electric vehicles. In view of the active logistic and electric vehicles market in the US and the supportive governmental policies on adoption of electric vehicles, it is expected that the demand for electric vehicles in the US will stay robust in the next few years. Accordingly, we are of the view that the estimated demand from the Purchaser in respect of electric vehicles and/or SKD Kits for the three years ending 31 March 2020 are generally in line with the overall growing trend in the demand of electric vehicles in the US.

Given the increasing purchase quantities for electric vehicles and/or SKD Kits from the Purchaser for the two years ending 31 March 2020, we have also assessed the estimated production capacity of the Supplier for the three years ending 31 March 2020. The management has estimated the utilization rate of production capacity of the Supplier for the three years ending 31 March 2020 to be 40%, 80% and 100%, respectively, which were determined based on (i) the commencement of the manufacturing plants of the Supplier for the production of electric vehicles since April 2016; and (ii) the understanding and experience of the management of the Company taking into account the ramp-up schedule of production in other production bases of the Group. Based on the aforesaid, it is expected that the respective production capacity of the Supplier could meet the respective estimated purchase quantities of electric vehicles by the Purchaser for each of the three years ending 31 March 2020.

In respect of the estimated retail price per electric vehicle and/or per SKD Kit for the three years ending 31 March 2020, we noted that the Company has made reference to the average of the retail prices of two models of the electric vehicles and/or SKD Kits currently produced/to be produced by the Supplier (the “**Models**”). The retail prices of each of the Models have been determined and set out in the price schedule under the Agreement based on the respective

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estimated purchase quantity for each of the three years ending 31 March 2020. As noticed from the Agreement, the retail prices of other models of electric vehicles and/or SKD Kits have not yet been determined as the relevant costs of production are not known as at the date of the Agreement and once such costs of production are known, the retail prices of these electric vehicles models will be determined based on the profit margins of the Models such that all models of electric vehicles under the Agreement will be subject to the same pricing policy. We further understand from the management of the Company that the other models of electric vehicles under the Agreement will have similar specifications as the Models and that the retail prices of such models will be similar to those of the Models. As such, it is appropriate for the Company to estimate the retail price per electric vehicle and/or per SKD Kit in determination of the proposed annual caps based on the average retail price of the Models. We noted that based on the current estimated cost of production, the estimated retail price per each of the Models of electric vehicle and/or per SKD Kit for the year ending 31 March 2018 is consistent with the pricing basis under the Agreement (as discussed in the above sub-section headed “*Pricing terms*”). Since the electric vehicles and/or SKD Kits supplied by the Supplier are logistic vehicles with specific size and specification, we are unable to identify any comparable electric vehicles and/or SKD Kits in the US electric vehicle market for our assessment on the retail prices of the Models. Given the different specifications of electric vehicles and the volume discount represented by the agreed price schedule under the Agreement based on the specific level of purchase quantity, we consider any reference to or comparison with the retail prices of electric vehicles produced by other market participants to be inappropriate in assessing the retail prices of the Models. Pursuant to the terms of the Agreement, the retail price per electric vehicle and/or per SKD Kit will be adjusted if such price is 10% higher than or 5% lower than the cost of each respective unit. Given the potential fluctuation in the production cost of the electric vehicles and/or SKD Kits for the two years ending 31 March 2020 and the range of mark-up charged by the Supplier over the cost, we consider that it is fair and reasonable for the Company to estimate the retail price per electric vehicle and/or per SKD Kit for the two years ending 31 March 2020 based on the agreed price schedule under the Agreement.

Based on the above, we consider (i) the estimated purchase quantity of electric vehicles and/or SKD Kits; and (ii) the estimated retail price per electric vehicle and/or per SKD Kit for the three years ending 31 March 2020 are fair and reasonable. Thus, we consider that the estimated transaction amounts for the purchase of electric vehicles and/or SKD Kits for each of the three years ending 31 March 2020 are fair and reasonable.

(ii) Estimated portion of the purchase amount of electric vehicles and/or SKD Kits attributable to the parts and components for the relevant period

In assessing the estimated transaction amounts for the purchase of parts and components for the three years ending 31 March 2020, we noted that such

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amounts represent 10% of the total transaction amount for the purchase of electric vehicles and/or SKD Kits under each of the three years ending 31 March 2020 respectively. Upon enquiry into the management of the Company, we understand that the Company has made reference to (i) the current provision of 3% of the total transaction amount from the Group's sale of electric vehicles in the PRC for the sale of parts and components; and (ii) the management's experience and understanding after considering, among others, (a) the potential higher frequency of auto parts repairs taking into account the shipments of electric vehicles and/or SKD Kits to the US and (b) the continuous increase in the provision of warranties of the electric vehicles in the US. We have reviewed the provision of warranty of the major electric vehicles manufacturer in the US and noticed that the provision of warranties for the electric vehicles, which covers the repair or replacement of vehicle parts, has been demonstrating a significant increasing trend from 2014 to 2016. Therefore, we consider that the determination of the estimated transaction amounts for the purchase of parts and components for the three years ending 31 March 2020 by the provision of 10% of the total transaction amount for the purchase of electric vehicles and/or SKD Kits, which included a buffer as determined by the management based on their understanding in the US electric vehicles market, are fair and reasonable.

Taking into consideration that (i) the estimated demand of electric vehicles and/or SKD Kits from the Purchaser were in line with the expected growth of market demand for electric vehicles in the US for the relevant period; (ii) the estimated retail price per electric vehicle and/or per SKD Kit were determined in accordance with the agreed price schedule under the Agreement; and (iii) the estimated transaction amount of parts and components by the provision of 10% of the total transaction amount for the purchase of electric vehicles and/or SKD Kits are fairly determined, we are of the view that the proposed annual caps for each of the three years ending 31 March 2020 are fair and reasonable.

6. Annual review

The respective proposed annual caps under the Agreement will be subject to the annual review by the independent non-executive Directors, details of which must be included in the Company's subsequent published annual reports and accounts. In addition, pursuant to the Listing Rules, the auditors of the Company must provide a letter to the Board confirming, among others, that the Agreement are conducted in accordance with their terms and that the respective proposed annual caps not being exceeded. Moreover, pursuant to the Listing Rules, the Company shall publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or its auditors will not be able to confirm the terms of such transaction or the annual caps not being exceeded. We are of the view that there are appropriate measures in place to govern the conduct of the Agreement and safeguard the interests of the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATIONS

Taking into consideration of the principal factors and reasons as set out in this letter, we consider that the continuing connected transactions under the Agreement will be conducted in the ordinary and usual course of business of the Company, and the terms (including the proposed annual caps) of the Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to be proposed for approving the Agreement and the transactions contemplated thereunder at the SGM.

Yours faithfully,
For and on behalf of
Goldin Financial Limited
Billy Tang
Director

Note: Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission and a responsible officer of Goldin Financial Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over 10 years of experience in the corporate finance profession.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS

(a) Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Name of Directors	Capacity	Number of ordinary Shares	Number of underlying Shares (unlisted and physically settled equity derivatives) <i>(Note 6)</i>	Total number of ordinary Shares and underlying Shares	Approximate percentage of issued ordinary share capital of the Company <i>(Note 7)</i>
Mr. Cao	Beneficial owner	6,800,000	230,000,000	236,800,000	1.05%
	Interest of controlled corporations	2,651,059,998	–	2,651,059,998 <i>(Note 1)</i>	11.83%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	5,104,572,167	523,000,000	5,627,572,167 <i>(Notes 1 and 5)</i>	25.11%

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Name of Directors	Capacity	Number of ordinary Shares	Number of underlying Shares (unlisted and physically settled equity derivatives) <i>(Note 6)</i>	Total number of ordinary Shares and underlying Shares	Approximate percentage of issued ordinary share capital of the Company <i>(Note 7)</i>
Mr. Miao	Beneficial owner	–	195,000,000	195,000,000	0.87%
	Interest of controlled corporations	1,970,551,043	–	1,970,551,043 <i>(Note 2)</i>	8.79%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	5,791,881,122	558,000,000	6,349,881,122 <i>(Notes 2 and 5)</i>	28.33%
Mr. Tong Zhiyuan	Beneficial owner	–	200,000,000	200,000,000	0.89%
Dr. Chen	Beneficial owner	–	162,000,000	162,000,000	0.72%
	Interest of controlled corporations	658,125,000	–	658,125,000 <i>(Note 3)</i>	2.94%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	7,104,307,165	591,000,000	7,695,307,165 <i>(Notes 3 and 5)</i>	34.33%
Mr. Lo Wing Yat	Beneficial owner	21,179,000	58,200,000	79,379,000	0.35%
Mr. Jaime Che	Beneficial owner	1,000,000	166,000,000	167,000,000	0.74%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	7,761,432,165	587,000,000	8,348,432,165 <i>(Notes 4 and 5)</i>	37.25%
Mr. Chan Yuk Tong	Beneficial owner	–	34,900,000	34,900,000	0.16%

Name of Directors	Capacity	Number of ordinary Shares	Number of underlying Shares (unlisted and physically settled equity derivatives) (Note 6)	Total number of ordinary Shares and underlying Shares	Approximate percentage of issued ordinary share capital of the Company (Note 7)
Mr. Fei Tai Hung	Beneficial owner	–	34,900,000	34,900,000	0.16%
Mr. Tse Kam Fow	Beneficial owner	–	34,900,000	34,900,000	0.16%
Mr. Xu Jingbin	Beneficial owner	–	22,000,000	22,000,000	0.10%

Notes:

- Mr. Cao is interested or deemed to be interested in a total of 8,515,432,165 Shares and underlying Shares including: (i) 2,311,059,998 Shares held by Long Hing International Limited which is wholly owned by Mr. Cao who is a director; (ii) 340,000,000 Shares held by Champion Rise International Limited which is wholly owned by Mr. Cao who is a director; (iii) 6,800,000 Shares and 230,000,000 share options^(Note 6) held by Mr. Cao; and (iv) 5,104,572,167 Shares and 523,000,000 share options^(Note 6) held by the other parties to the Undertaking^(Note 5).
- Mr. Miao is interested or deemed to be interested in a total of 8,515,432,165 Shares and underlying Shares including: (i) 1,806,301,043 Shares held by Union Ever Holdings Limited which is wholly owned by Mr. Miao who is a director; (ii) 164,250,000 Shares held by Infinity Wealth International Limited which is wholly owned by Mr. Miao who is a director; (iii) 195,000,000 share options^(Note 6) held by Mr. Miao; and (iv) 5,791,881,122 Shares and 558,000,000 share options^(Note 6) held by the other parties to the Undertaking^(Note 5).
- Dr. Chen is interested or deemed to be interested in a total of 8,515,432,165 Shares and underlying Shares including: (i) 658,125,000 Shares held by Captain Century Limited which is owned as to 60% by Dr. Chen and 40% by his spouse, Ms. Zhang Lu; (ii) 162,000,000 share options^(Note 6) held by Dr. Chen; and (iii) 7,104,307,165 Shares and 591,000,000 share options^(Note 6) held by the other parties to the Undertaking^(Note 5).
- Mr. Jaime Che is interested or deemed to be interested in a total of 8,515,432,165 Shares and underlying Shares including: (i) 1,000,000 Shares and 166,000,000 share options^(Note 6) held by Mr. Jaime Che; and (ii) 7,761,432,165 Shares and 587,000,000 share options^(Note 6) held by the other parties to the Undertaking^(Note 5).
- On 26 February 2016, an agreement was entered into between CITIC International Assets Management Limited, Star Mercury Investments Ltd., Mr. Cao, Mr. Miao, Dr. Chen, Mr. Jaime Che and CITIC Pacific Limited to regulate their dealings in the Shares (the “Undertaking”). Each party to the Undertaking was deemed to have interests in the Shares and/or underlying Shares held by the other parties to the Undertaking under Section 317(1)(a) of the SFO.
- The interests in the underlying Shares represent interests in options granted to the Directors named above to subscribe for Shares.
- These percentages are calculated on the basis of 22,413,077,108 Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executive of the Company or their respective close associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of Directors in the assets of the Company

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had, since 31 March 2017, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

(c) Interests of Directors in contracts

Save as for the following contracts, there is no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested in and which is significant to the business of the Group:

- i. the Agreement;
- ii. the September Agreements;
- iii. the agreement dated 17 March 2017 entered into between Sinopoly Battery Limited (“**Sinopoly Battery**”) and its subsidiaries and the Supplier, details of which are disclosed in the circular of the Company dated 19 May 2017 (the “**Commercial Battery Supply Agreement**”);
- iv. the agreement dated 17 March 2017 entered into between Sinopoly Battery and its subsidiaries and 杭州長江乘用車有限公司 (Hangzhou Changjiang Passenger Vehicles Co., Ltd.*) (the “**Passenger EV Subsidiary**”), details of which are disclosed in the circular of the Company dated 19 May 2017 (the “**Passenger Battery Supply Agreement**”);
- v. the agreement dated 17 March 2017 entered into between 貴州長江汽車有限公司 (Guizhou Changjiang Automobile Co., Ltd.*) and the Supplier in relation to the supply of auto parts, details of which are disclosed in the circular of the Company dated 19 May 2017 (the “**CV Parts 1 Supply Agreement**”);
- vi. the agreement dated 17 March 2017 entered into between 雲南五龍汽車有限公司 (Yunnan FDG Automobile Co., Limited*) (“**Yunnan Five Dragons**”) and the Supplier in relation to the supply of auto parts, details of which are disclosed in the circular of the Company dated 19 May 2017 (the “**CV Parts 2 Supply Agreement**”);

* For identification purpose only

- vii. the agreement dated 17 March 2017 entered into between Yunnan Five Dragons and the Supplier in relation to the procurement of auto parts, details of which are disclosed in the circular of the Company dated 19 May 2017 (the “**Bus Parts Procurement Agreement**”);
- viii. the agreement dated 17 March 2017 entered into between 深圳前海中博融資租賃有限公司 (the “**Lease Finance Company**”) and the Supplier in relation to the provision of finance lease services to the Supplier, details of which are disclosed in the circular of the Company dated 19 May 2017 (the “**Commercial Vehicle Finance Lease Framework Agreement**”);
- ix. the agreement dated 17 March 2017 entered into between the Lease Finance Company and the Supplier in relation to the indemnity of defaulted leases, details of which are disclosed in the circular of the Company dated 19 May 2017 (the “**Cooperation Framework Agreement**”);
- x. the agreement dated 17 March 2017 entered into between the Lease Finance Company and the Passenger EV Subsidiary in relation to the provision of finance lease services to the Passenger EV Subsidiary, details of which are disclosed in the circular of the Company dated 19 May 2017 (the “**Passenger EV Finance Lease Framework Agreement**”);
- xi. the agreement dated 17 March 2017 entered into between 簡式國際汽車設計(北京)有限公司 (Jasmin International Auto R&D (Beijing) Co., Ltd.*) (“**Jasmin**”), the Passenger EV Subsidiary and the Supplier in relation to the provision of R&D services by Jasmin, details of which are disclosed in the circular of the Company dated 19 May 2017 (the “**R&D Services Agreement**”);
- xii. the agreement dated 17 March 2017 entered into between the Supplier and the Passenger EV Subsidiary, details of which are disclosed in the circular of the Company dated 19 May 2017 (the “**Administrative Services Sharing Agreement**”);
- xiii. the agreement dated 17 March 2017 entered into between, among others, 杭州長江汽車控股有限公司 (Hangzhou Changjiang Automobile Holdings Co., Ltd.*), the Passenger EV Subsidiary and the Supplier in relation to the provision of management services, details of which are disclosed in the circular of the Company dated 19 May 2017 (the “**Management Services Agreement**”);
- xiv. the facility agreements dated 17 March 2017 entered into between the Supplier and Five Dragons Electric Vehicle Limited, details of which are disclosed in the circular of the Company dated 19 May 2017 (the “**New Five Dragons Facility Agreements**”); and
- xv. the guarantee agreements during 10 November 2015 to 2 March 2017 entered into between the Company and its subsidiaries and several banks in relation to providing guarantees with an aggregate credit limit up to HK\$2,906,112,000 by the Company and its subsidiaries in respect of banking facilities to the Supplier.

* For identification purpose only

The guarantees will expire two years after the final repayment of each respective loan under the facilities and are not expected to be renewed when they expire. (the “**Guarantee Agreements**”).

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, Shareholders (other than a Director or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO, or who was, directly or indirectly interested in 5% or more of the issued share capital of the Company:

Name of substantial Shareholders	Capacity	Number of ordinary Shares	Number of underlying Shares (unlisted and physically settled equity derivatives) <i>(Note 7)</i>	Total number of ordinary Shares and underlying Shares	Approximate percentage of issued ordinary share capital of the Company <i>(Note 8)</i>
CITIC International Assets Management Limited <i>(Notes 1 and 2)</i>	Beneficial owner	451,908,000	–	451,908,000	2.02%
	Interest of controlled corporations	1,022,988,124	–	1,022,988,124	4.56%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	6,287,536,041	753,000,000	7,040,536,041	31.41%
CITIC International Financial Holdings Limited <i>(Notes 1 and 2)</i>	Interest of controlled corporations	1,474,896,124	–	1,474,896,124	6.58%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	6,287,536,041	753,000,000	7,040,536,041	31.41%

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Name of substantial Shareholders	Capacity	Number of ordinary Shares	Number of underlying Shares (unlisted and physically settled equity derivatives) <i>(Note 7)</i>	Total number of ordinary Shares and underlying Shares	Approximate percentage of issued ordinary share capital of the Company <i>(Note 8)</i>
China CITIC Bank Corporation Limited <i>(Notes 1 and 2)</i>	Interest of controlled corporations	1,474,896,124	–	1,474,896,124	6.58%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	6,287,536,041	753,000,000	7,040,536,041	31.41%
Star Mercury Investments Ltd. <i>(Notes 1 and 3)</i>	Beneficial owner	1,000,000,000	–	1,000,000,000	4.46%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	6,762,432,165	753,000,000	7,515,432,165	33.53%
Smooth Way Holdings Inc. <i>(Notes 1 and 3)</i>	Interest of controlled corporations	1,000,000,000	–	1,000,000,000	4.46%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	6,762,432,165	753,000,000	7,515,432,165	33.53%

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Name of substantial Shareholders	Capacity	Number of ordinary Shares	Number of underlying Shares (unlisted and physically settled equity derivatives) <i>(Note 7)</i>	Total number of ordinary Shares and underlying Shares	Approximate percentage of issued ordinary share capital of the Company <i>(Note 8)</i>
CITIC Pacific Limited <i>(Notes 1 and 3)</i>	Interest of controlled corporations	1,000,000,000	–	1,000,000,000	4.46%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	6,762,432,165	753,000,000	7,515,432,165	33.53%
CITIC Limited <i>(Notes 1 and 4)</i>	Interest of controlled corporations	2,474,896,124	–	2,474,896,124	11.04%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	5,287,536,041	753,000,000	6,040,536,041	26.95%
CITIC Group Corporation <i>(Notes 1 and 4)</i>	Interest of controlled corporations	2,474,896,124	–	2,474,896,124	11.04%
	Interest of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	5,287,536,041	753,000,000	6,040,536,041	26.95%
Long Hing International Limited <i>(Note 5)</i>	Beneficial owner	2,311,059,998	–	2,311,059,998	10.31%

Name of substantial Shareholders	Capacity	Number of ordinary Shares	Number of underlying Shares (unlisted and physically settled equity derivatives) (Note 7)	Total number of ordinary Shares and underlying Shares	Approximate percentage of issued ordinary share capital of the Company (Note 8)
Union Ever Holdings Limited (Note 6)	Beneficial owner	1,806,301,043	–	1,806,301,043	8.06%

Notes:

- Each party to the Undertaking was deemed to have interests in the Shares and/or underlying Shares held by the other parties to the Undertaking under Section 317(1)(a) of the SFO. As at the Latest Practicable Date, the parties to the Undertaking are deemed to be interested in a total of 8,515,432,165 Shares and underlying Shares.
- For the purpose of the SFO, CITIC International Assets Management Limited is interested or deemed to be interested in (i) 1,474,896,124 Shares including 451,908,000 Shares held by it and 1,022,988,124 Shares held by Right Precious Limited; and (ii) 7,040,536,041 Shares and underlying Shares held by other parties to the Undertaking^(Note 1).

Right Precious Limited is a wholly-owned subsidiary of CITIC International Assets Management Limited of which CITIC International Financial Holdings Limited owns 40%. CITIC International Financial Holdings Limited is wholly-owned by China CITIC Bank Corporation Limited.

Mr. Lo Wing Yat, an executive director of the Company, is a director and chief executive officer of CITIC International Assets Management Limited and a director and chief executive officer of CITIC International Financial Holdings Limited.

- For the purpose of the SFO, Star Mercury Investments Ltd. is interested or deemed to be interested in (i) 1,000,000,000 Shares held by it; and (ii) 7,515,432,165 Shares and underlying Shares held by other parties to the Undertaking^(Note 1).

Star Mercury Investments Ltd. is a wholly-owned subsidiary of Smooth Way Holdings Inc. which, in turn, is a wholly-owned subsidiary of CITIC Pacific Limited.

- For the purpose of the SFO, CITIC Limited is deemed to be interested in (i) 2,474,896,124 Shares including 1,474,896,124 Shares deemed interest of China CITIC Bank Corporation Limited^(Note 2), which is over 60% owned by CITIC Limited through its wholly-owned subsidiaries, and 1,000,000,000 Shares deemed interest of CITIC Pacific Limited^(Note 3), which is a wholly-owned subsidiary of CITIC Limited; and (ii) 6,040,536,041 Shares and underlying Shares held by other parties to the Undertaking^(Note 1).

CITIC Limited is owned by CITIC Group Corporation as to 58.13% through its wholly-owned subsidiaries, CITIC Polaris Limited and CITIC Glory Limited.

Mr. Wong Kwok Yiu, a non-executive director of the Company, joined CITIC Limited in 1997 and is currently an assistant director of the business development department of CITIC Pacific Limited.

5. Long Hing International Limited (“**Long Hing**”) is wholly owned by Mr. Cao. The 2,311,059,998 Shares held by Long Hing are deemed to be owned by Mr. Cao who is also a director of Long Hing.
6. Union Ever Holdings Limited (“**Union Ever**”) is wholly owned by Mr. Miao. The 1,806,301,043 Shares held by Union Ever are deemed to be owned by Mr. Miao who is also a director of Union Ever.
7. The interests in the underlying Shares represent interests in options granted under the share option scheme of the Company to the Directors who are also parties to the Undertaking^(Note 1).
8. These percentages are calculated on the basis of 22,413,077,108 Shares as at the Latest Practicable Date.

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, (i) no other person (other than a Director or chief executive of the Company) had, or was taken or deemed to have; and (ii) none of the Directors is a director or employee of a company which has an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group which does not expire or which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING BUSINESS INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business, apart from the Group’s businesses, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

6. MATERIAL ADVERSE CHANGE

As disclosed in the announcement of the Company dated 4 October 2017, based on preliminary assessment and excluding all one-off gains and losses, the Group is expected to record an increase in loss of between 15% and 40% for the six months ended 30 September 2017 as compared to the corresponding period ended 30 September 2016. Except as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2017, being the date to which the latest published audited financial statements of the Company were made up.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinion or letter contained in this circular:

Name	Qualifications
Goldin Financial Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or reference to its name in the form and context in which they are included.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding, directly or indirectly, in any member of the Group and did not have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2017, being the date of which the latest published audited consolidated financial statements of the Company were made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection at the Company's principal place of business in Hong Kong situated at Rooms 3001–3005, 30th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours between 9:00 a.m. to 5:00 p.m. on any business day from the date of this circular up to and including the date of SGM:

- (a) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

- (c) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this circular;
- (d) the written consent of the expert referred to in the section headed “Expert and Consent” of this appendix;
- (e) the Agreement;
- (f) the September Agreements;
- (g) the Commercial Battery Supply Agreement;
- (h) the Passenger Battery Supply Agreement;
- (i) the CV Parts 1 Supply Agreement;
- (j) the CV Parts 2 Supply Agreement;
- (k) the Bus Parts Procurement Agreement;
- (l) the Commercial Vehicle Finance Lease Framework Agreement;
- (m) the Cooperation Framework Agreement;
- (n) the Passenger EV Finance Lease Framework Agreement;
- (o) the R&D Services Agreement;
- (p) the Administrative Services Sharing Agreement;
- (q) the Management Services Agreement;
- (r) the New Five Dragons Facility Agreements; and
- (s) the Guarantee Agreements.

NOTICE OF SGM



FDG Electric Vehicles Limited

五龍電動車(集團)有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 729)

NOTICE IS HEREBY GIVEN that a special general meeting of FDG Electric Vehicles Limited (the “**Company**”) will be held at Boardroom 8, Lower Lobby, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 10 November 2017 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

Words and expressions that are not expressly defined in this notice shall bear the same meanings as that defined in the circular dated 20 October 2017 published by the Company.

“THAT:

- a) the Agreement, a copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose, be and is hereby approved, confirmed and ratified;
- b) the annual caps under the Agreement as set out in the circular be and are hereby approved and confirmed; and
- c) any one director of the Company be and is hereby authorised to do all such further acts and things and to sign and execute all such documents and to take all such steps which in his opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to the transactions contemplated hereunder.”

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

Hong Kong, 20 October 2017

NOTICE OF SGM

Notes:

1. Any Shareholder entitled to attend and vote at a meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy needs not be a Shareholder.
2. To be valid, a proxy form, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or that authority shall be deposited at the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time for holding the meeting or any adjournment thereof.
3. In order to qualify for attending and voting at the SGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Monday, 6 November 2017.
4. Delivery of the proxy form shall not preclude a Shareholder from attending and voting in person at the meeting or upon the poll concerned and, in such event, the relevant proxy form shall be deemed to be revoked.