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HYBRID KINETIC GROUP LIMITED

正道集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1188)

SUBSCRIPTION OF NEW SHARES BY INDEPENDENT THIRD PARTIES

SUMMARY

On 17 April 2014 (after trading hours), the Company entered into 31 several Subscription Agreements with various Subscribers, all are Independent Third Parties, pursuant to which the Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, an aggregate of 2,079,750,000 Subscription Shares at the Subscription Price of HK\$0.10 each for an aggregate amount of HK\$207,975,000.

Completion of the Subscriptions, which is not inter-conditional upon each other, is subject to the fulfilment or (if applicable) waiver of the Conditions summarized in this announcement below.

The Subscription Shares represented (i) about 19.98% of the Company's existing issued share capital of 10,411,159,756 Shares and (ii) about 16.65% of the Company's enlarged issued share capital of 12,490,909,756 Shares immediately following the allotment and issue of the Subscription Shares. The issue of the Subscription Shares will be made under the Existing Issue Mandate.

Assuming and upon completion of the Subscriptions, the gross proceeds and the net proceeds from the Subscriptions are estimated to be about HK\$207,975,000 and HK\$207,475,000 respectively. The Company intends to utilize the net proceeds for the purposes as disclosed in the paragraph headed "Use of Net Proceeds" in this announcement below.

Shareholders and potential investors should note that completion of each of the Subscriptions is subject to fulfillment or (as the case may be) waiver of the Conditions under the relevant Subscription Agreement. As the Subscription(s) may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

SUBSCRIPTION AGREEMENTS

On 17 April 2014 (after trading hours), the Company entered into 31 several Subscription Agreements with various Subscribers pursuant to which the Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, the Subscription Shares.

The principal terms of the Subscription Agreements are broadly identical and are summarized below.

Date

17 April 2014

Parties involved

The Company and 31 Subscribers (of which two of them are existing Shareholders holding an aggregate of about 0.87% of the existing issued share capital of the Company as at the date of this announcement).

The Subscribers include professional, corporate and other investors, and none of them will become a substantial Shareholder immediately after the Subscription Completion.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the Subscribers and (if applicable) its existing ultimate beneficial owner(s) are Independent Third Parties.

Prior to the entering into of the Subscription Agreements and save as disclosed above, none of the Subscribers nor (if applicable) their respective existing ultimate beneficial owners have any interests in the Shares or any material business dealings and/or transactions with the Group.

Subscription Price

The Subscription Price of each Subscription Share is HK\$0.10, which was negotiated on an arm's length basis by the Company with each of the Subscribers with reference to the recent trading price of the Shares, the performance of the Group and the future prospects of the business of the Group.

The Subscription Price of HK\$0.10 per Subscription Share represents:

- (i) a discount of about 11.50% to the closing price of HK\$0.113 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of about 14.53% to the average closing price of HK\$0.117 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and
- (iii) a discount of about 13.04% to the average closing price of HK\$0.115 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

Subscription Shares

As at the date of this announcement, the total number of Shares in issue of the Company is 10,411,159,756 Shares.

The Subscription Shares represented (i) about 19.98% of the Company's existing issued share capital and (ii) about 16.65% of the Company's enlarged issued share capital of 12,490,909,756 Shares immediately following the allotment and issue of the Subscription Shares.

The aggregate nominal value of the Subscription Shares (with a par value of HK\$0.10 each) is HK\$207,975,000.

Ranking of the Subscription Shares

The Subscription Shares will rank equally in all respects among themselves and with all other Shares in issue on the date of their allotment and issue.

Disposal and lock-up restriction

The Subscription Shares are not subject to any lock-up or other disposal restriction(s) under the terms of the Subscription Agreements.

No change in members or composition of the Board

No agreement has been reached between the Company and/or any of the Subscribers to change the members or composition of the Board as a result of the Subscriptions (or any of them).

Conditions precedent to the Subscription Completion

Completion of each of the Subscription Agreements is conditional upon the following Conditions being fulfilled (or waived by the Subscriber to the Subscription Agreement as provided below) by the Longstop Date:

- (a) the Listing Committee granting the listing of, and permission to deal in, the Subscription Shares;
- (b) as at the date of fulfillment or waiver of the last in time to be fulfilled of the Conditions (other than this Condition), no legal proceedings shall have been brought by any person (other than any of the parties to the Subscription Agreement) in any court of competent jurisdiction against any of the parties to the Subscription Agreement challenging the legality or validity of the Subscription Agreement or restraining any of the parties to the Subscription Agreement from proceeding to Subscription Completion;

- (c) no breach of any of the warranties given by the Company under the Subscription Agreement having occurred and the Company not being in breach of any other provisions of the Subscription Agreement; and
- (d) no circumstances having arisen which would entitle the Subscriber to terminate such Subscriber's obligations under the Subscription Agreement.

Except for Condition (a) above which cannot be waived by any party to the Subscription Agreement, the Conditions (b), (c) and (d) may be waived by the Subscriber.

As regards each of the Subscription Agreements, if the Conditions have not been fulfilled or (as the case may be) waived by the Subscriber by the Longstop Date or if there are, in the sole and absolute discretion of the Subscriber, any circumstances having arisen by the Longstop Date which would entitle the Subscriber to terminate the Subscription pursuant to the terms of the Subscription Agreement, the Subscription Agreement will be terminated. All rights, obligations and liabilities of the parties under the Subscription Agreement in relation to the Subscription shall cease and terminate and none of the parties to the Subscription Agreement shall have any claim against any other in respect of the Subscription save for any antecedent breaches of the Subscription Agreement.

Subscription Completion

Subscription Completion is to take place on the Subscription Completion Date.

Completion of any Subscriptions is not inter-conditional upon each other.

Mandate for the issue of the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the Existing Issue Mandate granted to the Directors at the AGM.

At the date of the AGM, the total number of Shares in issue was 10,410,159,756. The maximum number of new Shares which can be issued pursuant to the Existing Issue Mandate is 2,082,031,951 (representing 20% of the issued share capital of the Company as at the date of the AGM). As at the date of this announcement, the Existing Issue Mandate has not been used. The issue of the Subscription Shares pursuant to the Existing Issue Mandate is not subject to the approval of the Shareholders.

REASONS FOR THE SUBSCRIPTIONS

The Directors consider that the Subscriptions represent a good opportunity for the Company to broaden its shareholders' base, enhance its working capital, strengthen its capital base and financial position.

The Directors consider that the terms (including the Subscription Price) of the Subscriptions contemplated under the Subscription Agreements to be fair and reasonable and the Subscriptions, if consummated, are in the interests of the Company and the Shareholders as a whole.

The Directors have considered other means of financing such as rights issue, open offer or bank borrowings but are of the view that equity financing by way of the Subscriptions is comparatively an appropriate means of raising additional capital under the ever changing financial market conditions as it is less costly and takes shorter time to arrange.

USE OF NET PROCEEDS

Assuming the Subscriptions were successfully completed, the gross proceeds of the Subscriptions are HK\$207,975,000. The net proceeds of the Subscriptions, after deducting professional fees and other related expenses, are estimated to be approximately HK\$207,475,000. The net issue price per Subscription Share is approximately HK\$0.099.

The Company intends to use the net proceeds raised from the Subscriptions as below:

- (i) approximately 60% to pursue suitable acquisition and/or investment opportunities that either supplement the existing businesses, or fit into the long term strategy, of the Group; and
- (ii) the remaining net proceeds, and to the extent that the net proceeds as stated in (i) above are not applied for acquisition and/or investment purposes, they would be utilized to fund the general working capital of the Group.

The Group has been in negotiation with certain parties to secure the exclusive use of certain technology for the production and manufacture of highly advanced battery materials for auto use. The Company will make appropriate announcement in accordance with the applicable Listing Rules as and when there is any significant progress in the negotiation.

EFFECT ON SHAREHOLDING

Assuming the Subscription Shares were successfully subscribed for in full by the Subscribers and that there was no change in the shareholding structure of the Company as at the date of this announcement to immediately before completion of the Subscriptions, the effect on the shareholding structure of the Company as a result of the Subscriptions is as follows:

Shareholders	As at the date of this announcement		Immediately after completion of the Subscriptions (Note 4)	
	Number of Shares	%	Number of Shares	%
Sun East LLC (Note 1)	2,673,071,189	25.68	2,673,071,189	21.40
Yeung Yung (Note 1)	10,000,000	0.10	10,000,000	0.08
Sub-total:	2,683,071,189	25.78	2,683,071,189	21.48
Other Directors				
Liu Stephen Quan (Note 2)	281,760,000	2.71	281,760,000	2.26
Li Zhengshan	8,700,000	0.08	8,700,000	0.07
Zhu Shengliang	5,333,883	0.05	5,333,883	0.04
Hui Wing Sang, Wilson	2,904,000	0.03	2,904,000	0.02
(A) Sub-total of non-public Shareholders:	<u>2,981,769,072</u>	<u>28.65</u>	<u>2,981,769,072</u>	<u>23.87</u>
Public Shareholders (including the Subscribers)				
Subscribers (Note 3)	0	0	2,079,750,000	16.65
Other public Shareholders	7,429,390,684	71.35	7,429,390,684	59.48
(B) Sub-total of public Shareholders:	<u>7,429,390,684</u>	<u>71.35</u>	<u>9,509,140,684</u>	<u>76.13</u>
TOTAL (A) + (B)	<u><u>10,411,159,756</u></u>	<u><u>100</u></u>	<u><u>12,490,909,756</u></u>	<u><u>100</u></u>

Notes:

- (1) Sun East LLC is a limited liability company incorporated in California, the US, which is owned as to (i) 35% by Dr Yeung Yung (shared commonly with his spouse under the laws of California, the US) and (ii) 65% by Mr Ma Manwai (alias Ma Manwai, Philip) and Mr Jimmy Wang (alias Wang Jian) as co-trustees for certain trusts established for the benefit of the children of Dr Yeung Yung on 30 December 2002. Dr Yeung Yung (as well as his spouse) is deemed to be interested in the 2,673,071,189 Shares held by Sun East LLC by virtue of Part XV of the SFO. Dr Yeung Yung's spouse is also deemed to be interested in the 10,000,000 Shares personally and beneficially held by Dr Yeung Yung. Dr Yeung Yung is an executive Director.
- (2) The 281,760,000 Shares are indirectly owned by certain private trusts of which Mr Liu Stephen Quan is the founder. The children of Mr Liu were eligible beneficiaries of the trusts. Mr Liu is deemed to be interested in these 281,760,000 Shares by virtue of Part XV of the SFO. Mr Li Stephen Quan is an executive Director.
- (3) The Subscribers are Independent Third Parties and none of them will become a substantial Shareholder immediately after completion of the Subscriptions.
- (4) The Subscriptions, if successfully completed, would involve the allotment and issue of an aggregate of 2,079,750,000 Shares.

APPLICATION FOR LISTING

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not undertaken any fund raising activities in the 12 months immediately prior to the date of this announcement.

INFORMATION ON THE COMPANY

The Company is an investment holding company. The Group is principally engaged in the environmental automobile and related business (comprising the lithium-ion power battery business, the environmental automobile business and the New Energy Project) and the natural resources business.

MISCELLANEOUS

In the event of inconsistency, the English version of this announcement shall prevail over the Chinese version.

Shareholders and potential investors should note that completion of each of the Subscriptions is subject to fulfillment or (as the case may be) waiver of the Conditions under the relevant Subscription Agreement. As the Subscription(s) may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“AGM”	the annual general meeting of the Company held on 13 June 2013
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday) on which banks in Hong Kong are generally open for business
“Company”	Hybrid Kinetic Group Limited (正道集團有限公司), an exempted company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Conditions”	as regards each Subscription Agreement, the conditions precedent to Subscription Completion and summarized in the paragraph headed “Conditions precedent to the Subscription Completion” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Existing Issue Mandate”	the general mandate granted by the Shareholders to the Directors at the AGM to allot, issue or otherwise deal with additional Shares not exceeding 20% of the issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a party(ies) who is/are independent of, and is/are not connected with, the Company, its subsidiaries and/or their respective connected persons
“Last Trading Day”	17 April 2014, being the last trading day prior to the release of this announcement
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	as regards each Subscription Agreement, being 16 May 2014, or such other date as the parties to the Subscription Agreement may agree in writing
“New Energy Project”	the development project (which involves the construction of production facilities for the production of key new energy automobile components including battery materials, super batteries, electric control systems and electrolyte) undertaken by the Project Company as disclosed in the circular of the Company dated 7 February 2013
“PRC”	The People’s Republic of China, excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Project Company”	the project company (with the approved name of 連雲港正道新能源有限公司 (Hybrid Kinetic (Lianyungang) New Energy Limited, Inc. *)) set up in the Lianyungang Economic and Technological Development Zone* (連雲港經濟技術開發區), the Jiangsu Province, the PRC to undertake the promotion and development of the New Energy Project as disclosed in the circular of the Company dated 7 February 2013
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	the subscribers under the various Subscription Agreements collectively (and each of them individually a “ Subscriber ”)
“Subscription”	the subscription of Subscription Shares contemplated under each Subscription Agreement (and, collectively, the “ Subscriptions ”)
“Subscription Agreements”	the 31 several conditional subscription agreements all dated 17 April 2014 by the Company with various Subscribers in relation to the Subscriptions (and each of them individually a “ Subscription Agreement ”)
“Subscription Completion”	as regards each Subscription Agreement, the completion of the Subscription Agreement

“Subscription Completion Date”	as regards each Subscription Agreement, the fifth Business Day next following the last unfulfilled Condition under the Subscription Agreement is satisfied or (as the case may be) waived (or such other date as may be agreed by the Company and the Subscriber)
“Subscription Price”	HK\$0.10 per Share
“Subscription Share(s)”	An aggregate of 2,079,750,000 new Shares
“US”	the United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the US
“%”	per cent.

By Order of the Board
Hybrid Kinetic Group Limited
Yeung Yung
Chairman

Hong Kong, 17 April 2014

As at the date of this announcement, the Board comprises ten executive Directors, namely Dr Yeung Yung (Chairman), Dr Huang Chunhua (Deputy Chairman), Dr Jang Bor Zeng Bohr (Deputy Chairman), Dr Wang Chuantao (Chief Executive Officer), Mr Liu Stephen Quan, Mr Hui Wing Sang, Wilson, Dr Zhamu Aruna, Dr Zhu Shengliang, Mr Xu Jianguo and Mr Li Zhengshan, one non-executive Director, namely Dr Xia Tingkang, Tim and six independent non-executive Directors, namely Mr Wong Lee Hing, Dr Song Jian, Dr Zhu Guobin, Mr Cheng Tat Wa, Dr Li Jianyong and Mr Chan Sin Hang.