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If you have sold or transferred all your securities in **Hybrid Kinetic Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer, 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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HYBRID KINETIC GROUP LIMITED

正道集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1188)

PLACING OF NEW SHARES AND SUBSCRIPTION OF NEW SHARES PROPOSED GRANT OF SPECIFIC MANDATE AND NOTICE OF SPECIAL GENERAL MEETING

A notice convening the Special General Meeting to be held on Friday, 12 June 2015 at 10:00 a.m. at Suite 1408, 14th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong is set out on pages N-1 to N-6 of this circular.

Whether or not you are able to attend the Special General Meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the Special General Meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or any adjourned meeting thereof should you so wish.

26 May 2015

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DEFINITIONS

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

“Announcement”	the announcement dated 22 April 2015 of the Company relating to the proposed Placing, the proposed Subscriptions and the proposed grant of the Specific Mandate
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which the licensed 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
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“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 their respective connected persons

DEFINITIONS

“Last Trading Day”	21 April 2015, being the last trading day immediately prior to the signing of the Placing Agreement or (as the case may be) the Subscription Agreements
“Latest Practicable Date”	21 May 2015, being the latest practicable date for ascertaining certain information contained in this circular
“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
“Macau”	the Macau Special Administrative Region of the PRC
“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
“Placee(s)”	any person(s) or entity(ies) whom the Placing Agent and/or any of its agent(s) has procured to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of up to 1,479,714,000 new Shares by the Placing Agent on a best effort basis pursuant to the terms of the Placing Agreement
“Placing Agent”	Guotai Junan Securities (Hong Kong) Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined under the SFO

DEFINITIONS

“Placing Agreement”	a conditional placing agreement dated 22 April 2015 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Longstop Date”	15 June 2015 (or such other date as the parties to the Placing Agreement may agree)
“Placing Price”	HK\$0.37 per Placing Share
“Placing Shares”	a maximum of 1,479,714,000 new Shares to be placed under the Placing Agreement
“PRC”	The People’s Republic of China, excluding for the purpose of this circular, Hong Kong, Macau and Taiwan
“Project Company”	Hybrid Kinetic (Lianyuangang) New Energy Limited, Inc.* (連雲港正道新能源有限公司), a project company in which the Company holds approximately 77.78% of its equity interest
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM Matters”	the matters to be put forward to the Shareholders for consideration and, if thought fit, approval at the Special General Meeting which include the Placing contemplated under the Placing Agreement, the Subscriptions respectively contemplated under various Subscription Agreements and the proposed grant of the Specific Mandate
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Special General Meeting” or “SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving, the SGM Matters

DEFINITIONS

“Specific Mandate”	a specific mandate to allot and issue new Shares to be sought from the Shareholders at the Special General Meeting to satisfy (as regards the Placing) the Placing Shares upon completion of the Placing Agreement and (as regards the Subscriptions) the Subscription Shares upon completion of each of the Subscription Agreements
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	the various subscribers under the Subscription Agreements (and each of them individually, a “Subscriber”)
“Subscription”	as regards each Subscription, the subscription of the Subscription Shares contemplated under the relevant Subscription Agreement (and “Subscriptions” shall be construed accordingly)
“Subscription Agreement(s)”	the 27 conditional subscription agreements all dated 22 April 2015 by the Company with various Subscribers in relation to the Subscriptions (and each of them individually a “Subscription Agreement”)
“Subscription Longstop Date”	as regards each Subscription Agreement, 15 June 2015 (or such other date as the parties to the Subscription Agreement may agree)
“Subscription Price”	HK\$0.37 per Subscription Share
“Subscription Share(s)”	an aggregate of 2,991,554,040 new Shares to be allotted and issued pursuant to the Subscriptions
“Takeovers Code”	The Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong
“US”	the United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

* For identification purpose only

LETTER FROM THE BOARD



HYBRID KINETIC GROUP LIMITED

正道集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1188)

Executive Directors:

Dr Yeung Yung (*Chairman*)
Dr Huang Chunhua (*Deputy Chairman*)
Dr Wang Chuantao (*Chief Executive Officer*)
Mr Hui Wing Sang, Wilson (*Deputy Chairman*)
Mr Liu Stephen Quan
Dr Zhu Shengliang
Mr Xu Jianguo
Mr Li Zhengshan
Mr Ting Kwok Kit, Johnny
Mr Chen Xiao

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

*Head office and principal place of
business in Hong Kong:*

Suites 1407-8, 14th Floor
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

Non-executive Director:

Dr Xia Tingkang, Tim

Independent non-executive Directors:

Mr Wong Lee Hing
Dr Song Jian
Dr Zhu Guobin
Mr Cheng Tat Wa
Dr Li Jianyong
Mr Chan Sin Hang

26 May 2015

To the Shareholders

Dear Sir/Madam

**PLACING OF NEW SHARES AND SUBSCRIPTION OF NEW SHARES
PROPOSED GRANT OF SPECIFIC MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement.

LETTER FROM THE BOARD

The primary purpose of this circular is to:

- (a) provide you with further information relating to the Placing contemplated under the Placing Agreement, the Subscriptions contemplated under various Subscription Agreements and the proposed grant of the Specific Mandate; and
- (b) give you notice of the Special General Meeting.

THE PLACING AGREEMENT

The principal terms of the Placing Agreement are summarised below:

Date

22 April 2015

Parties involved

Issuer : the Company

Placing Agent : Guotai Junan Securities (Hong Kong) Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties

Placees

The Placing Shares will be placed to not less than six Placees who and (where a corporation) whose ultimate beneficial owner(s), as far as the Placing Agent is aware, will be Independent Third Parties.

It is expected that none of the Placees will become a substantial Shareholder (as defined under the Listing Rules) immediately after the Placing.

LETTER FROM THE BOARD

Number of the Placing Shares

A maximum of 1,479,714,000 Placing Shares

The aggregate nominal value of the Placing Shares (with a par value of HK\$0.10 each) under the Placing will be HK\$147,971,400.

Ranking of the Placing Shares

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

Placing Price

The Placing Price of HK\$0.37 per Placing Share, which was determined after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market price of the Shares, the performance of the Group and the future prospects of the Group.

The Placing Price represents:

- (i) a discount of approximately 15.91% to the closing price of HK\$0.44 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 14.15% to the average closing price of HK\$0.431 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 14.05% to the average closing price of approximately HK\$0.4305 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 756.48% over the audited consolidated net asset value per Share of approximately HK\$0.0432 as at 31 December 2014; and
- (v) a discount of approximately 11.90% to the closing price of HK\$0.42 per Share as quoted on the Stock Exchange on 21 May 2015, being the Latest Practicable Date.

LETTER FROM THE BOARD

Placing commission

The Placing Agent will receive a placing commission of 1% on the gross proceeds of the actual number of the Placing Shares being placed by it (or its sub-placing agents) upon completion of the Placing.

The placing commission was determined after arm's length negotiation between the Company and the Placing Agent with reference to the market rate and after taking into account the size of the Placing and the time allowed for the Placing Agent to procure prospective Placees.

Conditions precedent to completion of the Placing

Completion of the Placing is conditional upon:

- (i) the Listing Committee agreeing to grant the listing of, and permission to deal in, the Placing Shares (either unconditionally or subject to conditions which are acceptable to the Company and the Placing Agent); and
- (ii) the passing of an ordinary resolution at the Special General Meeting approving the Placing Agreement and the grant of the Specific Mandate to cover the allotment and issue of the Placing Shares.

None of the above conditions can be waived by any party to the Placing Agreement.

The above conditions must be fulfilled by the Placing Longstop Date, failing which the Placing Agreement shall terminate.

Disposal and lock-up restriction

The Placing Shares are not subject to any lock-up or other disposal restrictions under the terms of the Placing Agreement.

LETTER FROM THE BOARD

Undertaking by the Company

The Company undertakes that, from the date of the Placing Agreement to the date of completion of the Placing, without first having obtained the prior written consent of the Placing Agent, it will not:

1. allot or issue (or agree to allot or issue) any Shares, other than pursuant to:
 - (i) any exercise of any convertible notes or warrants or options in issue or any other conversion or subscription rights existing at the date of the Placing Agreement;
 - (ii) exercise of any share options granted pursuant to the share option scheme of the Company adopted pursuant to the Listing Rules; or
 - (iii) any scrip dividend scheme; or
 - (iv) the Subscriptions contemplated under the Subscription Agreements as disclosed in this circular below; and
2. issue (or agree to issue) securities or grant (or agree to grant) any share options (other than share options granted or to be granted pursuant to the share option scheme of the Company adopted pursuant to the Listing Rules), warrants or other rights to subscribe for the Shares (other than convertible notes in issue at the date of the Placing Agreement) or to repurchase any securities of the Company.

Completion of the Placing

Completion of the Placing shall take place not later than 4:00 p.m. on the third Business Day after the fulfillment of the conditions specified under the paragraph headed “Conditions precedent to completion of the Placing” above (or such later date as may be agreed in writing between the Company and the Placing Agent).

Completion of the Placing is not inter-conditional upon completion of any of the Subscriptions as disclosed under the section headed “The Subscription Agreements” below.

LETTER FROM THE BOARD

Termination

The Placing Agreement may be terminated by the Placing Agent if at any time prior to 12:00 noon on the date of completion of the Placing:

1. there shall have been such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the consummation of the Placing;
2. any material breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent, or any event occurs or any matter arises which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provisions of the Placing Agreement;
3. any suspension of dealings in the Shares for more than seven (7) consecutive trading days (other than as a result of the Placing); or
4. any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise.

THE SUBSCRIPTION AGREEMENTS

On 22 April 2015, the Company entered into 27 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 summarised below.

Date

22 April 2015

Parties involved

- (1) the Company; and
- (2) 27 Subscribers (of which 13 of them are existing Shareholders holding an aggregate of approximately 8.922% of the aggregate number of Shares in issue as at the Latest Practicable Date).

LETTER FROM THE BOARD

Please refer to Table B under the paragraph headed “Effect on shareholding structure of the Company” under the section headed “Letter from the Board” for information on the identity of each of the Subscribers, the number of Subscription Shares subscribed for by each of them and their respective interests (if any) in the Company before and immediately after completion of the Subscriptions.

The Company has, from time to time, been approached by potential investors, or been introduced by business acquaintance potential investors, who share the business philosophy and value, or hold positive views of the prospects of the businesses of the Group and having been expressing interest in investing in the Company and/or subscribing for its Shares.

Given the overall positive market sentiment recently and the need of the Company to equip itself with stronger financial capability and flexibility in order to achieve the business plans currently contemplated by the Company and as disclosed in the paragraph headed “Use of Net Proceeds” below, the Company considers it a good timing to conduct the Placing as disclosed above and, at the same time, offer opportunities to those potential investors who have been approaching the Company and expressing interest in investing in the Company to subscribe for its Shares through the Subscriptions.

To the best of the Directors’ knowledge, the Subscribers include professional and other private investors (most of them are merchants and the remaining work in private organisations. All of them have investment experience in the securities market ranging from 2 to 10 years), and none of them will become a substantial Shareholder (as defined under the Listing Rules) immediately after the completion of the Subscriptions.

To the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, each of the Subscribers is an Independent Third Party. Among the 27 Subscribers, Ms Chen Haiyan (陳海燕) is the mother of Mr Zhang Jian (張健). Except as disclosed above, each Subscriber is a third party independent of each other.

Prior to the entering into of the Subscription Agreements and save as disclosed above, none of the Subscribers has any interests in the Shares or any material business dealings and/or transactions with the Group.

LETTER FROM THE BOARD

Under the Placing Agreement, the Placing Agent has agreed with the Company to procure, on a best effort basis, Placees to subscribe for the Placing Shares. The identity of each of the Placees is unknown, and will not be disclosed, to the Company or any of the Subscribers. Further, the Directors have no knowledge that there is/are any Subscriber(s) or any Placee(s) who, pursuant to an agreement or understanding (whether formal or informal), actively cooperate to obtain or consolidate control of the Company through the acquisition by any of them of voting rights of the Company, or any of them is directly or indirectly funded or backed by the Company and/or its connected persons. In short, there is no information available to the Directors which suggests that the Subscribers (or any of them) and the Placees (or any of them) are or will be persons acting in concert within the meaning of the Takeovers Code.

Subscription Price

The Subscription Price is HK\$0.37 per Subscription Share, which was negotiated on an arm's length basis by the Company with each of the Subscribers with reference to the prevailing market price of the Shares, the performance of the Group and the future prospects of the Group.

The Subscription Price of HK\$0.37 per Subscription Share represents:

- (i) a discount of approximately 15.91% to the closing price of HK\$0.44 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 14.15% to the average closing price of approximately HK\$0.431 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 14.05% to the average closing price of approximately HK\$0.4305 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 756.48% over the audited consolidated net asset value per Share of approximately HK\$0.0432 as at 31 December 2014; and
- (v) a discount of approximately 11.90% to the closing price of HK\$0.42 per Share as quoted on the Stock Exchange on 21 May 2015, being the Latest Practicable Date.

LETTER FROM THE BOARD

Subscription Shares

2,991,554,040 Subscription Shares

The aggregate nominal value of the Subscription Shares (with a par value of HK\$0.10 each) is HK\$299,155,404.

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 restrictions 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 completion of the Subscription under each Subscription Agreement

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 Subscription Longstop Date:

- (i) the Listing Committee agreeing to grant the listing of, and permission to deal in, the Subscription Shares (either unconditionally or subject to conditions which are acceptable to the Company and the Subscriber); and
- (ii) the passing of the ordinary resolution at the Special General Meeting approving the Placing Agreement and the grant of the Specific Mandate to cover the allotment and issue of the Subscription Shares.

LETTER FROM THE BOARD

None of the above conditions can be waived by any party to the Subscription Agreements.

The above conditions must be fulfilled by the Subscription Longstop Date, failing which the Subscription Agreement shall terminate.

Completion of the Subscription under each Subscription Agreement

Completion of the Subscription under each Subscription Agreement will take place not later than 12:00 noon on the third Business Day next after the fulfillment of the conditions specified under the paragraph headed “Conditions precedent to completion of the Subscription under each Subscription Agreement” above (or such later date as may be agreed in writing between the Company and the relevant Subscriber).

Completion of any Subscriptions is not inter-conditional upon each other or upon completion of the Placing disclosed under the section headed “The Placing Agreement” above.

REASONS FOR THE PLACING AND THE SUBSCRIPTIONS

The principal business of the Group includes the environmental automobile and related business (comprising the environmental automobile business, the New Energy Project and the high-tech electric motor vehicles business).

As disclosed in the Company’s announcement dated 8 February 2015, the Group entered into a collaboration agreement with Dandong Huanghai Automobile Company Limited* (丹東黃海汽車有限公司) on the joint development of a series of auto products for the purpose of designing and developing two prototypes of 12-metre lightweight monocoque electric bus suitable for public transportation. Further, as disclosed in the Company’s announcement dated 23 March 2015, the Group also entered into a supply agreement with Xalt Energy MI, LLC (“Xalt Energy”) for the supply of new generation high-power rapid charging lithium titanate (LTO) battery cells specified and tailored to the Group’s production of high-performance rapid charging electric bus. Under the supply agreement, the Group is entitled to obtain an exclusive right to purchase LTO battery cells if the minimum volume of order as committed by the Group is fulfilled. Corresponding to the supply volume, the Group plans to start production of electric buses in 2015, with escalating output capacity in the coming few years.

In order to further secure a stable supply of buses and battery cells, the Company is considering to acquire certain relevant businesses in the supply chain, which would provide additional production capacity and operational flexibility to the Group and thus facilitate the commercialisation of these battery cells and relevant electric buses.

LETTER FROM THE BOARD

The Board realises that flexibility is one of the keys to success for any business. To complement the intended expansion of the electric bus business, the Board has resolved to adopt a finance-leasing model for the provision of electric buses to the market (primarily to transit bus operators). The business will, as a starting point, be operated in the Hebei Province, the PRC.

Through the finance-leasing business model, the electric buses are effectively hired out to the transit bus or other operators who take out finance lease from the Group. This is expected to help resolve public transit bus operators' concerns over (i) battery degradation (as the Group intends to provide a 10-year warranty for the battery packs installed in electric buses to be leased out by the Group), and (ii) the issue of making significant initial outlay to acquire the use of electric buses by transit bus or other operators as they will have access to use the electric buses after making nil or nominal upfront payment, and the balance can be settled by way of payment of periodic rentals to the Group during an agreed duration after delivery. To minimise any default risk, the Group is in negotiation with the municipal government to provide guarantee in favour of the Group to secure the performance of the contractual obligations (in particular, payment obligation) of those transit bus or other operators under the finance-lease arrangement.

In addition, as disclosed in the Company's announcement dated 8 April 2015, the Group had reached a strategic framework agreement with Baoding Municipal Government * (保定市人民政府) of the PRC and the Chinese Academy of Agricultural Mechanisation Sciences * (中國農業機械化科學研究院) for the purposes of promoting the strategic development of the renewable energy industry (新能源產業). One of the goals that the parties have aimed to achieve is to provide up to 1,500 electric buses in 2015 for public transport to the Baoding Municipal Government. The Board considers that the finance-leasing business is promising and the finance-leasing model would further promote the sale of the Group's electric buses and facilitate market penetration in a substantial scale and at a quicker pace.

As at the Latest Practicable Date, the Company had obtained the necessary approval from the PRC governmental authorities for the setting up of a subsidiary in the PRC for engaging in the finance leasing business.

The Board is of the view that, given the recent stock market sentiment is overall positive, the Placing and the Subscriptions represent a good opportunity for the Company to strengthen the financial position of the Group, broaden its shareholder base, and enhance the Company's financial capability and flexibility in the implementation of the Group's strategic business development in the environmental automobile and related business (in particular, the launch of electric buses in a substantial scale), without any interest burden, within a relatively shorter time frame and at lower costs when compared with other means of fund raising.

LETTER FROM THE BOARD

The Directors consider that the respective terms of the Placing (including the Placing Price) and the Subscriptions (including the Subscription Price) are fair and reasonable and in the overall interests of the Company and the Shareholders as a whole.

The Board had considered other means of financing including rights issue and open offer but are of the view that equity financing by way of the Placing and the Subscriptions are relatively appropriate means of raising additional capital for the Company for the following reasons:

- (i) it is less costly, less cumbersome (as lesser documentation is required) and takes shorter time (estimated to be within two months in the present case) to arrange than rights issue or open offer (estimated to be more than three month) as the latter may involve the issue of a prospectus and other documentation (including but not limited to the underwriting agreement) and the offer would be required to remain open for a minimum period of time before it is closed. The risk of change in market conditions is also greatly reduced;
- (ii) an open offer or rights issue are more likely required to be fully-underwritten. The identification of underwriter(s) to fully underwrite an open offer/rights issue is relatively less easier (without a higher rate of underwriting commission, 3% to 5% depending on market conditions and other factors such as the business and financial performance of the Group) than finding a placing agent for a placing;

In light of the above and the business plans currently in contemplation by the Company as disclosed in this circular, the Board considers that it is justifiable, fair and reasonable for the Company to opt for the Placing and the Subscriptions to raise additional funds for the Group under the circumstances.

The Board further considered that it would be a prudent approach not to commit the Company (or any member of the Group) to enter into any binding agreement(s) unless and until the Company has secured the required source of funding for the implementation of any of its business plans. Assuming that the Placing and the Subscriptions could be completed before the end of June 2015 by which the source of funding would be available, the pace of implementation of the business plans of the Company (including the entering into of binding agreements) can be expedited.

LETTER FROM THE BOARD

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming that there will be no change in the shareholding structure of the Company immediately before completion of the Placing and the Subscriptions and all the Placing Shares are successfully placed by the Placing Agent:

- (i) the Placing Shares represent approximately 9.72% of the existing issued share capital of the Company as at the Latest Practicable Date;
- (ii) the Placing Shares represent approximately 8.86% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares (without taking into account the Subscription Shares);
- (iii) the Subscription Shares represent approximately 19.65% of the existing issued share capital of the Company as at the Latest Practicable Date;
- (iv) the Subscription Shares represent approximately 16.42% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (without taking into account the Placing Shares);
- (v) the Placing Shares and the Subscription Shares, together, represent approximately 29.36% of the existing issued share capital of the Company as at the Latest Practicable Date;
- (vi) the Placing Shares and the Subscription Shares, together, represent approximately 22.70% of the issued share capital of the Company (as enlarged by the allotment and issue of the Placing Shares and the Subscription Shares).

LETTER FROM THE BOARD

The effects of the Placing and the Subscriptions on the shareholding structure of the Company are set out in Table A below:

Table A

Shareholders	As at the date of the Announcement		As at the Latest Practicable Date		Immediately after completion of the Placing (without taking into account the Subscriptions) (Note 5)		Immediately after completion of the Subscriptions (without taking into account the Placing) (Note 5)		Immediately after completion of the Subscriptions and the Placing (Note 5)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Sun East LLC (Note 1)	2,673,071,189	17.647	2,673,071,189	17.554	2,673,071,189	15.999	2,673,071,189	14.672	2,673,071,189	13.570
Yeung Yung (Note 1)	10,000,000	0.066	10,000,000	0.066	10,000,000	0.060	10,000,000	0.055	10,000,000	0.051
Sub-total:	2,683,071,189	17.713	2,683,071,189	17.620	2,683,071,189	16.059	2,683,071,189	14.727	2,683,071,189	13.620
Other Directors										
Liu Stephen Quan (Note 2)	281,760,000	1.860	281,760,000	1.850	281,760,000	1.686	281,760,000	1.547	281,760,000	1.430
Li Zhengshan	14,270,000	0.094	14,270,000	0.094	14,270,000	0.085	14,270,000	0.078	14,270,000	0.072
Zhu Shengliang	5,333,883	0.035	5,333,883	0.035	5,333,883	0.032	5,333,883	0.029	5,333,883	0.027
Cheng Tat Wa	5,000,000	0.033	5,000,000	0.033	5,000,000	0.030	5,000,000	0.027	5,000,000	0.025
Wong Lee Hing	3,000,000	0.020	3,000,000	0.020	3,000,000	0.018	3,000,000	0.016	3,000,000	0.015
Ting Kwok Kit, Johnny	3,000,000	0.020	3,000,000	0.020	3,000,000	0.018	3,000,000	0.016	3,000,000	0.015
Hui Wing Sang, Wilson	2,904,000	0.019	2,904,000	0.019	2,904,000	0.017	2,904,000	0.016	2,904,000	0.015
(A) Sub-total of non-public Shareholders:	2,998,339,072	19.795	2,998,339,072	19.690	2,998,339,072	17.946	2,998,339,072	16.457	2,998,339,072	15.221
Public Shareholders (including the Subscribers and the Placees)										
Subscribers (Notes 3, 4, 5 & 6)	-	-	-	-	-	-	2,991,554,040	16.420	2,991,554,040	15.186
Placees (Note 6)	-	-	-	-	1,479,714,000	8.857	-	-	1,479,714,000	7.512
Other public Shareholders (Note 4)	12,148,806,635	80.205	12,229,220,635	80.310	12,229,220,635	73.197	12,229,220,635	67.123	12,229,220,635	62.081
(B) Sub-total of public Shareholders:	12,148,806,635	80.205	12,229,220,635	80.310	13,708,934,635	82.054	15,220,774,675	83.543	16,700,488,675	84.779
TOTAL (A) + (B)	15,147,145,707	100.000	15,227,559,707	100.000	16,707,273,707	100.000	18,219,113,747	100.000	19,698,827,747	100.000

LETTER FROM THE BOARD

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 were 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 Liu Stephen Quan is an executive Director.
- (3) The Subscribers are Independent Third Parties. The Placees and (where a corporation) their respective ultimate beneficial owner(s) are, as far as the Placing Agent is aware, Independent Third Parties. None of the Subscribers and placees will become a substantial Shareholder (as defined in the Listing Rules) immediately after completion of the Subscriptions and Placing.
- (4) The number of Shares held by other public Shareholders as at the date of the Announcement was inclusive of the 1,068,569,000 Shares held by the Subscribers as at the date of the Announcement (please refer to Table B for details of the number of Shares held by each Subscriber (if any) as at the date of the Announcement), representing an aggregate of approximately 7.055% of the then issued share capital of the Company,
- (5) The number of Shares held by other public Shareholders as at the Latest Practicable Date was inclusive of the 1,358,569,000 Shares held by the Subscribers as at the Latest Practicable Date (please refer to Table B for details of the number of Shares held by each Subscriber (if any) as at the Latest Practicable Date), representing an aggregate of approximate 8.922% of the then issued share capital of the Company,
- (6) The Placing and the Subscriptions, if successfully completed, are expected to involve the allotment and issue of respectively, 1,479,714,000 Shares and 2,991,554,040 Shares, and together, 4,471,268,040 Shares.

LETTER FROM THE BOARD

The name of each of the Subscribers, the number of Subscription Shares subscribed for by each of them under the respective Subscription Agreements, their respective interests (if any) in the Company before and immediately after completion of the Subscriptions and the effects of the Placing and the Subscriptions on the Subscribers' respective interests in the Company are set out in Table B below.

Table B

Subscribers	Number of Subscription Shares involved	Shareholding as at the date of the Announcement		Shareholding as at the Latest Practicable Date		Shareholding immediately after completion of the Placing (without taking into account the Subscriptions) (Note 3)		Shareholding immediately after completion of the Subscriptions (without taking into account the Placing) (Note 3)		Shareholding immediately after completion of the Subscriptions and the Placing (Note 3)	
		Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Lau, Mingo (劉銘藩)	33,783,783	-	-	100,000,000	0.657	100,000,000	0.599	133,783,783	0.734	133,783,783	0.679
Wu, Wei (吳偉)	459,459,459	-	-	190,000,000	1.248	190,000,000	1.137	649,459,459	3.565	649,459,459	3.297
Zhang, Hui (張慧)	108,108,108	-	-	-	-	-	-	108,108,108	0.593	108,108,108	0.549
Liu, Jie (劉杰)	513,513,513	500,000,000	3.301	500,000,000	3.284	500,000,000	2.993	1,013,513,513	5.563	1,013,513,513	5.145
Yang, Jing (楊晶)	55,743,243	28,200,000	0.186	28,200,000	0.185	28,200,000	0.169	83,943,243	0.461	83,943,243	0.426
Xu, Daquan (徐達泉)	30,405,405	-	-	-	-	-	-	30,405,405	0.167	30,405,405	0.154
Lu, Hang (蘆航)	18,918,918	-	-	-	-	-	-	18,918,918	0.104	18,918,918	0.096
Chen, Haiyan (陳海燕) (Note 1)	74,324,324	19,400,000	0.128	19,400,000	0.127	19,400,000	0.116	93,724,324	0.514	93,724,324	0.476
Zhang, Jian (張健) (Note 1)	33,783,783	-	-	-	-	-	-	33,783,783	0.185	33,783,783	0.172
Zhang, Huiying (仇慧穎)	103,040,539	10,684,000	0.071	10,684,000	0.070	10,684,000	0.064	113,724,539	0.624	113,724,539	0.577
Li, Hong (李紅)	67,567,567	-	-	-	-	-	-	67,567,567	0.371	67,567,567	0.343
Yang, Ping (楊萍)	101,351,351	36,000,000	0.238	36,000,000	0.236	36,000,000	0.215	137,351,351	0.754	137,351,351	0.697
Li, Aimin (李愛敏)	25,337,837	-	-	-	-	-	-	25,337,837	0.139	25,337,837	0.129
Yang, Yuanxin (楊元新)	55,405,405	-	-	-	-	-	-	55,405,405	0.304	55,405,405	0.281
Kang, Shujuan (康淑娟)	85,135,135	-	-	-	-	-	-	85,135,135	0.467	85,135,135	0.432
Jiang, Yuzhen (姜玉振)	41,216,216	22,500,000	0.149	22,500,000	0.148	22,500,000	0.135	63,716,216	0.350	63,716,216	0.323
Song, Zhuoyuan (宋卓遠)	16,891,891	-	-	-	-	-	-	16,891,891	0.093	16,891,891	0.086
Wang, Shaowu (王紹武)	33,783,783	-	-	-	-	-	-	33,783,783	0.185	33,783,783	0.172
Sun, Baisheng (孫百勝)	8,108,108	2,000,000	0.013	2,000,000	0.013	2,000,000	0.012	10,108,108	0.055	10,108,108	0.051
Chen, Zhihai (陳志海)	16,891,891	-	-	-	-	-	-	16,891,891	0.093	16,891,891	0.086
Liu, Hui (劉輝)	37,837,837	14,400,000	0.095	14,400,000	0.095	14,400,000	0.086	52,237,837	0.287	52,237,837	0.265
Dong, Yue (董越)	540,540,540	-	-	-	-	-	-	540,540,540	2.967	540,540,540	2.744
Peng, Jianping (彭建平)	216,216,216	38,155,000	0.252	38,155,000	0.251	38,155,000	0.228	254,371,216	1.396	254,371,216	1.291
Guo, Jian (郭簡)	6,756,756	-	-	-	-	-	-	6,756,756	0.037	6,756,756	0.034
Ouyang, Xi (歐陽西)	10,135,135	-	-	-	-	-	-	10,135,135	0.056	10,135,135	0.051
Xu, Tailong (徐大龍)	27,027,027	22,230,000	0.147	22,230,000	0.146	22,230,000	0.133	49,257,027	0.270	49,257,027	0.250
Best Jolly Investments Limited (優越投資有限公司) (Note 2)	270,270,270	375,000,000	2.476	375,000,000	2.463	375,000,000	2.245	645,270,270	3.542	645,270,270	3.276
TOTAL:	2,991,554,040	1,068,569,000	7.056	1,358,569,000	8.922	1,358,569,000	8.132	4,350,123,040	23.877	4,350,123,040	22.083

Notes:

- (1) Ms Chen, Haiyan (陳海燕) is the mother of Mr Zhang, Jian (張健).
- (2) Best Jolly Investments Limited is a limited company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Ms Jiang Xiangqing (蔣向青).
- (3) The Placing and the Subscriptions, if successfully completed, are expected to involve the allotment and issue of respectively, 1,479,714,000 Shares and 2,991,554,040 Shares, and together, 4,471,268,040 Shares.

LETTER FROM THE BOARD

USE OF NET PROCEEDS

On the assumption that the maximum of 1,479,714,000 Placing Shares are successfully placed and the 2,991,554,040 Subscription Shares are successfully subscribed for in full, the gross proceeds of the Placing and the Subscriptions will be approximately HK\$1,654 million and the net proceeds of the Placing and the Subscriptions (after deduction of relevant expenses in the estimated amount of approximately HK\$6.5 million) will amount to approximately HK\$1,648 million.

	Gross proceeds raised	Net proceeds raised	Net proceeds raised per Share
Placing	HK\$547,500,000	HK\$541,695,000 (after deduction of relevant expenses in the estimated amount of approximately HK\$5,805,000)	HK\$0.366 per Placing Share
Subscriptions	HK\$1,106,875,000	HK\$1,106,205,000 (after deduction of relevant expenses in the estimated amount of approximately HK\$670,000)	HK\$0.370 per Subscription Share
Total:	<u>HK\$1,654,375,000</u>	<u>HK\$1,647,900,000</u>	

LETTER FROM THE BOARD

The net proceeds in the approximate total amount of HK\$1,648 million, if successfully raised, is intended to be used by the Group as follows:

Intended use of proceeds	Estimated amount required (approximate)	Specific plan(s)
(1) Pursue research and development, manufacture and/or promotion of electric bus, engine and related battery cells in the PRC and relevant acquisition/investment opportunities	54% (approximately HK\$897 million)	<ul style="list-style-type: none">• The Company intends to use approximately HK\$234 million in (i) forming a joint venture business with a strategic partner (which is one of the leading automobile manufacturers in the PRC and owns a sizable public bus manufacturing entity in the PRC) in developing and manufacturing of electric buses in the PRC; or (ii) acquiring a controlling stake in the public bus manufacturing entity. The Company is in negotiation with the relevant parties and expects to enter into a definitive agreement in or around the third quarter of 2015.• The Company intends to use approximately HK\$312 million in acquiring a controlling stake in one of the leading electric engine manufacturer. The Company is in negotiation with the target company and its shareholder(s) and expects to enter into a definitive agreement in or around the third quarter of 2015.

LETTER FROM THE BOARD

Intended use of proceeds	Estimated amount required (approximate)	Specific plan(s)
		<ul style="list-style-type: none">• The Company intends to use approximately HK\$117 million in establishing a battery system factory in 連雲港經濟技術開發區 (Lianyungang Economic and Technology Development Zone*) in the Jiangsu Province, the PRC with a view of developing the battery management system (being a core component for use in electric buses) in or around the third quarter of 2015.• The Company intends to use approximately HK\$234 million in the research and development of electric delivery van (純電動物流車), microturbine range extender (渦輪發電機增程系統), range extended electric passenger car (增程式乘用車) (sedan and sport or suburban utility vehicle (SUV)) and other auto-related projects.

LETTER FROM THE BOARD

Intended use of proceeds	Estimated amount required (approximate)	Specific plan(s)
		<ul style="list-style-type: none"><li data-bbox="975 348 1345 944">• The proposed acquisitions and/or investments would allow the Group to adopt a vertical integration production strategy. For instance, electric engines, batteries and battery systems are the core components of electric motor vehicles. The plans, if pursued and successfully implemented, would enable the Group to have more ability to gain control over the value chain (including costs control and quality control) and to optimise resource utilisation and ensure stable supply.<li data-bbox="975 987 1345 1312">• In the event that any of the proposed acquisitions as disclosed above did not proceed due to whatever reasons, the Company would utilise the proceeds to explore and identify similar acquisition and/or investment opportunities to achieve its business plans.

LETTER FROM THE BOARD

Intended use of proceeds	Estimated amount required (approximate)	Specific plan(s)
(2) Pursue electric bus finance-leasing business	14% (approximately HK\$234 million)	<ul style="list-style-type: none">In order to facilitate the expansion of the Group's electric bus business, the Company intends to engage in the finance-leasing business. This is expected to help resolve public transit bus operators' concerns over the issues of (i) making significant initial outlays to buy the electric buses (through the provision by the Group of finance-leasing of electric buses) and (ii) battery degradation (through the provision by the Group of 10-year warranty for the battery packs installed in electric buses leased out by the Group). <p>Approximately HK\$234 million will be contributed by the Group as initial registered capital for the establishment of a wholly-owned subsidiary in the PRC to engage in the finance-leasing business.</p> <p>Please refer to the section headed "<i>Reasons for the Placing and the Subscriptions</i>" for details of the finance-leasing business model of the Group.</p>

LETTER FROM THE BOARD

Intended use of proceeds	Estimated amount required (approximate)	Specific plan(s)
(3) For bank's security of issuing letter of credit related to the supply of LTO battery from Xalt Energy	19% (approximately HK\$312 million)	<ul style="list-style-type: none">The Company intends to use approximately HK\$312 million in July 2015 as a pledged deposit to bank to obtain sufficient banking facilities for purchase of battery cells pursuant to the supply agreement entered into by the Group with Xalt Energy in March 2015 (as disclosed in the Company's announcement dated 23 March 2015).
(4) For expanding the offices in Hong Kong and certain cities in the PRC	5% (approximately HK\$78 million)	<ul style="list-style-type: none">The Company intends to expand the Hong Kong head office to meet the anticipated expansion of the Group's business. The Company is in negotiation for taking a lease of new office premises in Hong Kong which, if materialised, will involve the payment by the Group of a rental deposit, 6-month rental payment in advance and renovation and decoration fees amounting to approximately HK\$31 million.

LETTER FROM THE BOARD

Intended use of proceeds	Estimated amount required (approximate)	Specific plan(s)
(5) For the Group's general working capital	8% (approximately HK\$127 million)	<ul style="list-style-type: none">The Company plans to use approximately HK\$47 million to lease properties in the PRC for setting up new offices in certain cities in the PRC to recruit and/or accommodate more staff for the Group's business expansion.Mainly for (i) professional fees in contemplation of the proposed business plans of the Group; (ii) general working capital for the Group's new finance-leasing business; (iii) overheads due to recruitment of additional supporting staff for the anticipated expansion of the Group's electric bus business; and (iv) advertisement and promotional expenses.
Total:	Approximately HK\$1,648 million	

The Company will issue announcement(s) to inform the Shareholders and the investing public of any change in use of proceeds from the Placing and/or the Subscriptions in accordance with the Listing Rules.

Latest development of the new energy project

The Group has been engaging in the promotion of the New Energy Project through the Project Company (namely Hybrid Kinetic (Lianyuangang) New Energy Limited, Inc.* (連雲港正道新能源有限公司)). It is anticipated that the Project Company will commence trial production of single and few-layer graphene (單層石墨烯) by the end of July 2015. Graphene is an ideal material for super batteries (超級電池), electronic traction motor (電機) and power electronic system (電控系統).

LETTER FROM THE BOARD

In the pursuit of technological and socially responsible innovations for new energy products, the Project Company and Angstrom Holding Corp (a subsidiary of the Company in the US) have cooperated in the research and development of graphene super batteries (石墨烯超級電池) (which possess relatively higher energy and power density and long charge and discharge life cycle, have a charging rate which is much faster than normal batteries and can function normally under severe weather), and an application for patent registration has been made in the US pending approval.

To enhance the competitive strength of the Group's high-tech electric motor vehicles business, the Project Company is expected to commence mass production of graphene super batteries for installation in electric buses this year.

Electric motor vehicles (electric bus) business of the company

The Group has endeavoured to become a pioneer in the design, development and manufacture of zero-emission electric motor vehicles (including electric buses) with advanced technology and tremendous potential to improve energy efficiency.

As regards the Company's electric bus business, any improvement in the performance, efficiency and reliability of electric buses will promote the use of public transportation by the public and minimise environmental pollutions so as to contribute to the sustainable development of any community.

Latest development

With the Group's dedication and research and development capability, the Group had developed battery system, electric bus and engineering development and electric bus systems and successfully designed two prototypes electric buses for public transport in 2014, which were well received at road shows in certain cities in the PRC. Following the road shows, the Group managed to secure a substantial order of 300 electric buses from a transportation solution dealer and delivery has commenced since March 2015. The Group is in negotiation with other potential customers (including municipal government in the PRC) which are interested to place orders for electric buses with the Group.

Business model

The Group takes the initiative to (either by itself or through collaboration with expert(s) or strategic partner(s)), design and develop prototypes of electric buses that are technologically advanced, environmental and affordable for public use.

LETTER FROM THE BOARD

The manufacturing or mass production of electric buses will either be undertaken by processing plant (代工廠) selected by the Group and/or (if the business plan(s) pursued by the Group have been successfully implemented) the manufacturing facilities of the Group. The electric buses manufactured will either be made available (i) for purchase by transportation solutions operators or municipality transit companies or (ii) for hire and use by transportation solutions operators or municipality transit companies, through finance-leasing offered by a wholly-owned subsidiary of the Company (the “Finance-Leasing Subsidiary”) newly set up for engaging in the finance-leasing business.

Through the finance-leasing, the electric buses are effectively hired out to transportation solutions operators or municipality transit companies which choose to take out finance lease from the Finance-Leasing Subsidiary at minimal or zero upfront payment, and the Group will provide a 10-year warranty for the battery packs installed in electric buses leased out by the Finance-Leasing subsidiary. The business strategy can help ease the concerns of transportation solutions operators or municipality transit companies over battery degradation or having to make significant capital outlay. The Board expects the finance-leasing model will be well-received by potential customers and indirectly help boost the electric bus business of the Group. To minimise any default risk, the Finance-Leasing Subsidiary will, to the extent practicable, obtain guarantee from municipal government in its favour to secure the performance of the contractual obligations (in particular, payment obligation) of those transportation solutions operators or municipality transit companies under the finance-lease arrangement.

Major target customers and suppliers

Currently, the major target customers of the electric bus business of the Group are the Municipal Government of Baoding (保定市人民政府) and Lianyuangang Public Bus Company * (連雲港公交車公司) and the major suppliers are XALT Energy MI, LLC and Dandong Huanghai Automobile Company Limited* (丹東黃海汽車有限責任公司).

Business performance

As at 31 March 2015, the revenue recognised by the Group from the sale and delivery of high-tech motor vehicles (that is, electric buses) amounted to approximately HK\$10 million.

LETTER FROM THE BOARD

Features of high-tech motor vehicles designed and developed by the group

Specifications of

high-tech electric motor vehicles of the Group

High-tech electric motor vehicles are equipped with new generation lithium-titanate (LTO) battery cells

Features of high-tech electric motor vehicles

- LTO battery cells installed in high-tech motor vehicles are characterised by extra high charging speed, which allows rapid charging as fast as within 10 minutes. The energy efficiency and cost effectiveness of high-tech electric motor vehicles are thus much higher than ordinary electric buses.

- Can be rapidly charged at bus terminals during operation intervals as they are equipped with batteries of lower energy capacity (60 kilowatt-hours (kWh) *(Note 1)*) to accommodate one-way or round-trip journeys and enable a relatively cost effective operation model.

LTO battery cells installed in high-tech electric motor vehicles can be recharged up to 30,000 times throughout its cycle life of more than 10 years. Hence, the replacement cost of battery packs is comparatively much lower on a long-term basis.

LTO battery cells installed in high-tech electric motor vehicles are comparatively safer.

Usual/ordinary electric motor vehicles

- Ordinary electric motor vehicles equipped with lithium-ion batteries require an exponentially longer charging time (normally between 6-8 hours).

- Ordinary electric motor vehicles are normally equipped with batteries of higher energy capacity (approximately 300 kWh)

Lithium-ion batteries installed in ordinary electric motors degrade much faster than LTO battery cells

- they could usually be recharged up to only 2,000 times and are limited to a cycle life of only 3-5 years.

Incidents on lithium-ion batteries installed in ordinary electric motor vehicles exploded or caught fire occur more frequently than LTO battery cells.

LETTER FROM THE BOARD

**Specifications of
high-tech electric motor
vehicles of the Group**

**Features of high-tech
electric motor vehicles**

**Usual/ordinary
electric motor vehicles**

<p>Battery packs are manufactured to IP67 standards (<i>Note 2</i>)</p>	<p>LTO battery cells installed in high-tech electric motor vehicles are highly tolerable to extreme temperatures – they can operate properly under extreme temperatures ranging from –30°C to 50°C.</p> <p>– Super batteries installed in high-tech electric motor vehicles are highly water resistant and protected against an immersion depth of up to 700mm.</p> <p>– The geographical permeability of high-tech electric motor vehicles is thus expected to be much wider than ordinary electric motor vehicles.</p>	<p>Lithium-ion batteries installed in ordinary electric motor vehicles cannot operate in cold weather.</p> <p>Lithium-ion batteries installed in usual or ordinary electric motor vehicles are comparatively less water resistant and cannot function properly in humid areas.</p>
<p>High-power permanent magnetic motors and 3-speed dual-clutch transmission (DCT) gearbox (三速雙離合器變速箱) (<i>Note 3</i>)</p>	<p>High-tech electric motor vehicles are installed with 3-speed DCT gearbox that enables, among others, uninterrupted power flow from the engine to the clutch (離合器) transmission.</p>	<p>Usual or ordinary electric motor vehicles are not normally installed with 3-speed DCT gearbox in the PRC market.</p>
<p>Noise-proof materials and enhanced ventilation systems</p>	<p>High-tech electric motor vehicles have a quieter and more ventilated interior, hence offering a more enjoyable ride or transit experience.</p>	<p>Less quiet and ventilated interior</p>

Notes:

1. The kilowatt-hour (symbolised kWh) is a unit of energy equivalent to one kilowatt (1 kW) of power expended for one hour.
2. IP ratings, also known as the Ingress Protection rating system, show the degrees of protection of enclosures around electronic equipments. It is composed of two numbers, the first referring to the protection against solid objects and the second against liquids. These ratings are determined by specific tests and a higher number denotes better protection.
3. A dual-clutch transmission (DCT) is a type of automatic transmission or automated automotive transmission.

LETTER FROM THE BOARD

APPLICATION FOR LISTING

An application will be made by the Company to the Listing Committee for the grant of the listing of, and permission to deal in, the Placing Shares and the Subscription Shares.

SPECIFIC MANDATE

In contemplation of the proposed allotment and issue of the Placing Shares (or to the extent necessary) pursuant to and upon completion of the Placing Agreement and the Subscription Shares pursuant to and upon completion of each of the Subscription Agreements, the Company proposes to seek the grant of the Specific Mandate from the Shareholders at the Special General Meeting.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not undertaken any fund raising activities on any issue of equity securities in the past twelve months before the Latest Practicable Date:

Event	Net proceeds raised/ Intended use of net proceeds	Amount utilised as at the Latest Practicable Date and actual use of net proceeds
Subscription of a total of 1,979,750,000 new Shares at HK\$0.10 each completed on 8 May 2014 (the details of which are disclosed in the Company's announcements dated 17 April 2014 and 8 May 2014)	Approximately HK\$197,475,000 were raised, as to: (i) approximately HK\$125,000,000 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 of approximately HK\$72,475,000, 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 utilised to fund the general working capital of the Group.	Fully utilised, as to approximately HK\$125,000,000 was used to invest in high-tech motor vehicles and the balance was used to fund the general working capital of the Group (which were in line with the intended use of such net proceeds as previously disclosed).

LETTER FROM THE BOARD

Event	Net proceeds raised/ Intended use of net proceeds	Amount utilised as at the Latest Practicable Date and actual use of net proceeds
<p>Subscription of a total of 1,780,235,000 new Shares at HK\$0.16 each completed on 16 December 2014 (the details of which are disclosed in the Company's announcements dated 2 December 2014 and 16 December 2014)</p>	<p>Approximately HK\$284,437,000 were raised, as to:</p> <p>(i) approximately 80% (about HK\$227,549,600) to pursue acquisition and/or investment opportunities in the research and development, manufacture and/or promotion of high-tech motor vehicles in the PRC; and</p> <p>(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 utilised to fund the general working capital of the Group.</p>	<p>Fully utilised, as to approximately HK\$227,549,600 was used to invest in high-tech motor vehicles and as to approximately HK\$56,000,000 was utilised to fund the general working capital of the Group (which were in line with the intended use of such net proceeds as previously disclosed).</p>
<p>Subscription of a total of 697,946,951 new Shares at HK\$0.175 each completed on 3 February 2015 (the details of which are disclosed in the Company's announcements dated 23 January 2015 and 3 February 2015)</p>	<p>Approximately HK\$121,740,716 were raised to pursue acquisition and/or investment opportunities in the research and development, manufacture and/or promotion of high-tech motor vehicles in the PRC</p>	<p>Fully utilised, as to approximately HK\$121,740,716 was used to invest in high-tech motor vehicles (which were in line with the intended use of such net proceeds as previously disclosed).</p>

As shown in the table above, the net proceeds utilised in the investment in high-tech motor vehicles business of the Company amounted to approximately HK\$474 million, the breakdown of which is set out below:

- approximately HK\$12 million was used to engage a third party to develop the enterprise resource planning (ERP) and supply chain management system (subject to further testing) for use in the Company's electric bus business, which amount was classified as prepayment under non-current assets in the Company's financial statements;

LETTER FROM THE BOARD

- approximately HK\$37 million was used in the purchase of molds for use in the production of the parts and components of electric buses, which amount was classified as prepayment under non-current assets in the Company's financial statements;
- approximately HK\$225 million was used as security deposit to the Group's supplier, XALT Energy, for the purchase of XALT Energy's new generation high-power rapid-charging lithium titanate (LTO) battery cells pursuant to the supply agreement entered into by the Group with XALT Energy on 20 March 2015, which amount was classified as deposit in the Company's financial statements; and
- approximately HK\$200 million was earmarked for the purchase from XALT Energy of LTO battery cells in the first half of 2015 for the production of electric buses, which amount was classified as current assets in the Company's financial statements.

Shareholders and potential investors should note that the Placing and the Subscriptions are subject to fulfillment of certain conditions, and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

APPROVAL OF THE BOARD

None of the Directors has interests in the Placing contemplated under the Placing Agreement and/or the Subscriptions contemplated under the various Subscription Agreements or was required to abstain from voting in the resolutions of the Board for approving the Placing and/or the Subscriptions.

INFORMATION ON THE GROUP

The Company is an investment holding company. The principal business of the Group includes the environmental automobile and related business (comprising the environmental automobile business, the New Energy Project and the high-tech electric motors vehicles business).

SPECIAL GENERAL MEETING

Set out on pages N-1 to N-6 of this circular is a notice convening the Special General Meeting to be held at Suite 1408, 14th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Friday, 12 June 2015 at 10:00 a.m. at which ordinary resolution will be proposed to the Shareholders to approve the Placing contemplated under the Placing Agreement, the Subscriptions contemplated under the various Subscription Agreements and the proposed grant of the Specific Mandate.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, none of the Shareholders would be required to abstain from voting on the resolutions relating to the Placing contemplated under the Placing Agreement, the Subscriptions contemplated under the various Subscription Agreements and the proposed grant of the Specific Mandate at the Special General Meeting.

A form of proxy for use at the Special General Meeting is enclosed with this circular. Whether or not you are able to attend the Special General Meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the Special General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending the Special General Meeting or any adjournment thereof and voting in person should you so wish.

In accordance with Rule 13.39(4) of the Listing Rules, the chairman of the Special General Meeting will direct that the proposed resolution set out in the notice convening the Special General Meeting be voted by poll.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the views that the Placing contemplated under the Placing Agreement, the Subscriptions contemplated under the various Subscription Agreements and the proposed grant of the Specific Mandate are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the Special General Meeting to approve, ratify and/or confirm (as the case may be) the SGM Matters.

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 Company. 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.

LETTER FROM THE BOARD

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

GENERAL

The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

Yours faithfully
By order of the Board
Hybrid Kinetic Group Limited
Yeung Yung
Chairman

NOTICE OF SPECIAL GENERAL MEETING



HYBRID KINETIC GROUP LIMITED

正道集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1188)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “Meeting”) of Hybrid Kinetic Group Limited (the “Company”) will be held at Suite 1408, 14th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Friday, 12 June 2015 at 10:00 a.m. for the purposes of considering and, if thought fit, passing (with or without modifications), each of the following resolutions (each a “Resolution”) as an ordinary resolution of the Company:

ORDINARY RESOLUTIONS

- (1) **“THAT:**
- (a) the placing agreement (the “Placing Agreement”) dated 22 April 2015 (a copy of which has been produced to this Meeting marked “A” and initialled by the chairman of the Meeting for the purpose of identification) between the Company and Guotai Junan Securities (Hong Kong) Limited (the “Placing Agent”) in connection with the placement through the Placing Agent of up to a maximum of 1,479,714,000 new ordinary shares (the “Placing Shares”) of HK\$0.10 each in the capital of the Company at the placing price of HK\$0.37 each on a best effort basis and all the transactions contemplated thereunder and all other matters of and incidental thereto or in connection therewith be and are hereby generally and unconditionally approved, ratified and confirmed in all respects and the directors (the “Directors”) of the Company (or any one of them) be and he/she/they are hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which, in the opinion of the Director(s), may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated by, the Placing Agreement and to agree to such variations, amendments or waiver or matters relating thereto as are, in the opinion of the Director(s), in the interests of the Company and its shareholders as a whole; and

NOTICE OF SPECIAL GENERAL MEETING

- (b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in the Placing Shares, the Directors be and they are hereby generally and specifically authorised to allot and issue such number of new ordinary shares of HK\$0.10 each in the capital of the Company (the “Placing Specific Mandate”) as may be required to be allotted and issued pursuant to the terms of the Placing Agreement. The Placing Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which may from time to time be granted to the Directors prior to or after the passing of this resolution.”

(2) **“THAT:**

- (a) each as a separate resolution (as regards each of the subscriptions referred to below), the 27 subscription agreements (each a “Subscription Agreement” and collectively, the “Subscription Agreements”) all dated 22 April 2015 (copies of which have been produced to this Meeting marked “B-1” to “B-27”) and initialed by the chairman of the Meeting for the purpose of identification) entered into by the Company with each of the following 27 respective subscribers named below (each a “Subscriber” and collectively, the “Subscribers”) in connection with the subscriptions of an aggregate of 2,991,554,040 new ordinary shares (the “Subscription Shares”) of HK\$0.10 each in the capital of the Company at the subscription price of HK\$0.37 each and all the transactions respectively contemplated thereunder and all other matters of and incidental thereto or in connection therewith be and are hereby generally and unconditionally approved, ratified and confirmed in all respects:

- (1) Lau, Mingto (劉銘濤) in respect of the subscription of 33,783,783 Subscription Shares at the total subscription price of HK\$12,499,999.71;
- (2) Wu, Wei (吳偉) in respect of the subscription of 459,459,459 Subscription Shares at the total subscription price of HK\$169,999,999.83;
- (3) Zhang, Hui (張慧) in respect of the subscription of 108,108,108 Subscription Shares at the total subscription price of HK\$39,999,999.96;
- (4) Liu, Jie (劉杰) in respect of the subscription of 513,513,513 Subscription Shares at the total subscription price of HK\$189,999,999.81;

NOTICE OF SPECIAL GENERAL MEETING

- (5) Yang, Jing (楊晶) in respect of the subscription of 55,743,243 Subscription Shares at the total subscription price of HK\$20,624,999.91;
- (6) Xu, Daquan (徐達泉) in respect of the subscription of 30,405,405 Subscription Shares at the total subscription price of HK\$11,249,999.85;
- (7) Lu, Hang (蘆航) in respect of the subscription of 18,918,918 Subscription Shares at the total subscription price of HK\$6,999,999.66;
- (8) Chen, Haiyan (陳海燕) in respect of the subscription of 74,324,324 Subscription Shares at the total subscription price of HK\$27,499,999.88;
- (9) Zhang, Jian (張健) in respect of the subscription of 33,783,783 Subscription Shares at the total subscription price of HK\$12,499,999.71;
- (10) Zhang, Huiying (仇慧穎) in respect of the subscription of 103,040,539 Subscription Shares at the total subscription price of HK\$38,124,999.43;
- (11) Li, Hong (李紅) in respect of the subscription of 67,567,567 Subscription Shares at the total subscription price of HK\$24,999,999.79;
- (12) Yang, Ping (楊萍) in respect of the subscription of 101,351,351 Subscription Shares at the total subscription price of HK\$37,499,999.87;
- (13) Li, Aimin (李愛敏) in respect of the subscription of 25,337,837 Subscription Shares at the total subscription price of HK\$9,374,999.69;
- (14) Yang, Yuanxin (楊元新) in respect of the subscription of 55,405,405 Subscription Shares at the total subscription price of HK\$20,499,999.85;
- (15) Kang, Shujuan (康淑娟) in respect of the subscription of 85,135,135 Subscription Shares at the total subscription price of HK\$31,499,999.95;
- (16) Jiang, Yuzhen (姜玉振) in respect of the subscription of 41,216,216 Subscription Shares at the total subscription price of HK\$15,249,999.92;
- (17) Song, Zhuoyuan (宋卓遠) in respect of the subscription of 16,891,891 Subscription Shares at the total subscription price of HK\$6,249,999.67;

NOTICE OF SPECIAL GENERAL MEETING

- (18) Wang, Shaowu (王紹武) in respect of the subscription of 33,783,783 Subscription Shares at the total subscription price of HK\$12,499,999.71;
- (19) Sun, Baisheng (孫百勝) in respect of the subscription of 8,108,108 Subscription Shares at the total subscription price of HK\$2,999,999.96;
- (20) Chen, Zhihai (陳志海) in respect of the subscription of 16,891,891 Subscription Shares at the total subscription price of HK\$6,249,999.67;
- (21) Liu, Hui (劉輝) in respect of the subscription of 37,837,837 Subscription Shares at the total subscription price of HK\$13,999,999.69;
- (22) Dong, Yue (董越) in respect of the subscription of 540,540,540 Subscription Shares at the total subscription price of HK\$199,999,999.80;
- (23) Peng, Jianping (彭建平) in respect of the subscription of 216,216,216 Subscription Shares at the total subscription price of HK\$79,999,999.92;
- (24) Guo, Jian (郭簡) in respect of the subscription of 6,756,756 Subscription Shares at the total subscription price of HK\$2,499,999.72;
- (25) Ouyang, Xi (歐陽西) in respect of the subscription of 10,135,135 Subscription Shares at the total subscription price of HK\$3,749,999.95;
- (26) Xu, Tailong (徐太龍) in respect of the subscription of 27,027,027 Subscription Shares at the total subscription price of HK\$9,999,999.99;
and
- (27) Best Jolly Investments Limited (優越投資有限公司) in respect of the subscription of 270,270,270 Subscription Shares at the total subscription price of HK\$99,999,999.90,

NOTICE OF SPECIAL GENERAL MEETING

and the directors (the “Directors”) of the Company (or any one of them) be and he/she/they are hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which, in the opinion of the Director(s), may be necessary, appropriate, desirable or expedient to implement and/or give effect to the respective terms of, or the respective transactions contemplated by, the respective Subscription Agreements and to agree to such variations, amendments or waiver or matters relating thereto as are, in the opinion of the Director(s), in the interests of the Company and its shareholders as a whole; and

- (b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in the Placing Shares, the Directors be and they are hereby generally and specifically authorised to allot and issue such number of new ordinary shares of HK\$0.10 each in the capital of the Company (the “Subscription Specific Mandate”) as may be required to be allotted and issued pursuant to the respective terms of the Subscription Agreements. The Subscription Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which may from time to time be granted to the Directors prior to or after the passing of this resolution.”

Yours faithfully

By order of the Board

Hybrid Kinetic Group Limited

Yeung Yung

Chairman

Hong Kong, 26 May 2015

Registered office:

Canon’s Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head office and principal place of

business in Hong Kong:
Suites 1407-8, 14th Floor
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more separate proxy(ies) to attend and, subject to the provisions of the bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company.
2. A form of proxy for use at the Meeting is enclosed with the circular of the Company dated 26 May 2015.
3. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) must be deposited with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting (or at any adjournment thereof). Completion and return of the form of proxy shall not preclude members from attending and voting in person at the Meeting or at any adjourned meeting (as the case may be) should they so wish.
4. Where there are joint registered holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, the joint member whose name stands first on the register of members of the Company in respect of such share, or his proxy, shall be alone entitled to vote and will be accepted to the exclusion of other joint registered holders in respect thereof.
5. The votes at the Meeting will be taken by poll.

As at the date of this notice, the Board comprises ten executive Directors, namely Dr Yeung Yung (Chairman), Dr Huang Chunhua (Deputy Chairman), Dr Wang Chuantao (Chief Executive Officer), Mr Hui Wing Sang, Wilson (Deputy Chairman), Mr Liu Stephen Quan, Dr Zhu Shengliang, Mr Xu Jianguo, Mr Li Zhengshan, Mr Ting Kwok Kit, Johnny and Mr Chen Xiao, 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.