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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)**

# **STRATEGIC COOPERATION FRAMEWORK AGREEMENT REGARDING THE ESTABLISHMENT OF NINGBO JOINT VENTURE AND INVESTMENT FUND**

This announcement is made pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance.

## **INTRODUCTION**

The Board is pleased to announce that, on 17 February 2017 (after trading hours), the Company entered into the Strategic Cooperation Framework Agreement, the details of which are as follows:

## **STRATEGIC COOPERATION FRAMEWORK AGREEMENT**

### **Date**

17 February 2017

## **Parties**

- Party A : 寧波市奉化區人民政府 (Ningbo Fenghua District People's Government\*)  
 (“**Ningbo Fenghua Government**”)
- Party B : 北京威卡威汽车零部件股份有限公司 (Beijing WKW Automotive Parts Co., Ltd.) (“**Beijing WKW**”)
- Party C : Company
- Party D : 北京致云资产管理有限公司 (Beijing Zhi Yun Asset Management Limited\*)  
 (“**Beijing Zhi Yun**”)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the counterparties and (if applicable) its respective beneficial owners and their respective associates is a third party independent of and not connected with the Company and its connected persons.

## **Purpose of the Strategic Cooperation Framework Agreement**

The Strategic Cooperation Framework Agreement contemplates the parties' strategic cooperation intention to the establishment of:

- the Ningbo Joint Venture in the PRC (which is proposed to be known as 宁波京威动力电池有限公司 (Ningbo Jing Wei Automotive Battery Co., Ltd.\*)) to build new capabilities and promote the research, development and commercialisation of new power batteries for the sustainable development of the new energy industry; and
- the Investment Fund in the PRC to create a platform to leverage the business experience, expertise, resources and network of the participants to explore new business or investment opportunities in the new energy industry.

This is to echo China's 13th Five-Year Plan, which places strong emphasis on consumption, innovation, social welfare and wealth, to proactively develop environmental technology industry, and to unleash more opportunities for global development.

## Capital Commitment

### *Ningbo Joint Venture*

Pursuant to the terms of the Strategic Cooperation Framework Agreement and subject to the signing of definitive joint venture agreement governing the establishment of the Ningbo Joint Venture, the capital commitment to be contributed to the Ningbo Joint Venture is proposed to be as follows:

	<b>Capital Commitment (RMB)</b>	<b>Percentage of equity interest in the Ningbo Joint Venture</b>
Beijing WKW	540,000,000	27%
Company	180,000,000	9%
Investment Fund (to be established)	1,280,000,000	64%

To facilitate and expedite the establishment of the Ningbo Joint Venture, it is proposed that Beijing WKW and the Company will first commit funds for their respective contributions towards the Ningbo Joint Venture, pending the establishment of the Investment Fund.

### *Investment Fund*

The Investment Fund (which is proposed to be known as 宁波致云动力能源投资基金 (Ningbo Zhi Yun Automotive Energy Investment Fund\*)) is yet to be established as at the date of this announcement.

Subject to the signing of definitive partnership/investment agreement(s) regarding its establishment, the initial size of the Investment Fund is proposed to be RMB1,500,000,000. Beijing Zhi Yun will be entrusted with the management of the Investment Fund.

The proposed investors will include Beijing WKW (RMB90,000,000), the Company (RMB180,000,000), the investment fund of Ningbo Fenghua Government (RMB300,000,000), Beijing Zhi Yun (RMB15,000,000) and other investors (RMB915,000,000) with different rights and obligations to be defined and stipulated in the definitive partnership/investment agreement(s).

## **Undertakings**

Under the Strategic Cooperation Framework Agreement:

- Ningbo Fenghua Government agrees to offer such assistance, support and preferential policy treatments (including but not limited to the grant of favourable tax treatment and subsidies) under the preferential policies currently in force towards the establishment and operation of the Ningbo Joint Venture and the Investment Fund.
- The Company agrees to set up (i) a research centre within the administrative region of the Ningbo Fenghua Government to conduct research on power batteries and related cathode and anode materials (正極、負極材料), including but not limited to graphene (石墨烯), electrolyte (電解液), batteries (電芯) and power electronic systems (電控系統); and (ii) a specialised research team to provide support to professional and development training in order to build up the core members of the team.
- The parties to the Strategic Cooperation Framework Agreement will form a working group to promote the implementation of the matters pursued under the Strategic Cooperation Framework Agreement and each party will bear its own costs.

## **Lapse of the Strategic Cooperation Framework Agreement**

The Strategic Cooperation Framework Agreement will lapse upon the expiry of two months after the date of its signing by the parties if no definitive joint venture/partnership/investment agreement(s) (as the case may be) for the establishment of the Ningbo Joint Venture and/or the Investment Fund are entered into by the parties (or, if applicable, their respective designated controlled-entity(ies)), and neither party shall have any obligations towards the other party nor has any claims against the other party.

## **POTENTIAL BENEFITS TO BE DERIVED FROM THE STRATEGIC COOPERATION FRAMEWORK AGREEMENT**

The Company is principally engaged in the environmentally-friendly vehicles and related businesses.

The participation of the Company in the establishment of the Ningbo Joint Venture and the Investment Fund will allow the Group to (i) achieve innovation in the development of new power batteries and related products and promote a wider application of such products; (ii) leverage on the synergy expected to be derived from the co-operation and enable the parties to complement each other in the respective resource advantages and network; (iii) be provided with a platform to seize more investment opportunities in the new energy industry with the support of the capital market professionals and other alliances; and (iv) minimize the business or investment risks of the Group.

The Board considers that the terms of the Strategic Cooperation Framework Agreement, which was entered into after arm's length negotiation between the Company and the other contracting parties, are fair and reasonable, and the implementation of the transactions envisaged thereunder (if materialised) are in the overall interests of the Company and its shareholders.

## **POSSIBLE IMPLICATION UNDER THE LISTING RULES**

The proposed participation and investment in the establishment of the Ningbo Joint Venture and the Investment Fund as envisaged under the Strategic Cooperation Framework Agreement, if materialised, would constitute notifiable transaction for the Company under the Listing Rules. In this regard, the Company will comply with the applicable requirements under the Listing Rules.

## **INFORMATION ON BEIJING WKW**

Beijing WKW is a company listed on the Shenzhen Stock Exchange (stock code: 002662.SZ). It is principally engaged in providing exterior and interior trims for mid-high grade passenger cars and supporting research and development as well as relevant services.

## **INFORMATION ON BEIJING ZHI YUN**

Beijing Zhi Yun is a company established in the PRC with limited liability. It is principally engaged in corporate investment, investment management and investment consultancy businesses.

## INFORMATION ON THE GROUP

The Company is an investment holding company. The Group is principally engaged in the environmentally-friendly vehicles and related businesses.

The registered capital/investment to be contributed or made by the Company to the Ningbo Joint Venture and the Investment Fund is proposed to be funded by the internal resources of the Group.

***The Strategic Cooperation Framework Agreement may or may not lead to the execution of the definitive agreements for the establishment of the Ningbo Joint Venture and/or the Investment Fund. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.***

## DEFINITIONS

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

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Beijing WKW”	北京威卡威汽车零部件股份有限公司 (Beijing WKW Automotive Parts Co., Ltd.), a company listed on the Shenzhen Stock Exchange (stock code: 002662.SZ) and one of the parties to the Strategic Cooperation Framework Agreement
“Beijing Zhi Yun”	北京致云资产管理有限公司 (Beijing Zhi Yun Asset Management Limited*), one of the parties to the Strategic Cooperation Framework Agreement
“Board”	the board of Directors

“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
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment Fund”	the investment fund proposed to be established and envisaged under the Strategic Cooperation Framework Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ningbo Fenghua Government”	寧波市奉化區人民政府 (Ningbo Fenghua District People’s Government*), one of the parties to the Strategic Cooperation Framework Agreement
“Ningbo Joint Venture”	the joint venture proposed to be established in the PRC and envisaged under the Strategic Cooperation Framework Agreement
“PRC”	The People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Cooperation Framework Agreement”	the strategic cooperation framework agreement dated 17 February 2017 entered into by the Company with Ningbo Fenghua Government, Beijing WKW and Beijing Zhi Yun to record the parties’ strategic cooperation intention regarding the establishment of the Ningbo Joint Venture and the Investment Fund
“%”	per cent.

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

Hong Kong, 19 February 2017

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

\* *For identification purpose only*