

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



HYBRID KINETIC GROUP LIMITED

正道集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1188)

STRATEGIC ALLIANCE MEMORANDUM REGARDING THE ESTABLISHMENT OF JOINT VENTURE FOR THE PRODUCTION OF NEW ENERGY VEHICLES

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 (Chapter 571 of the Laws of Hong Kong).

INTRODUCTION

On 20 March 2017 (after trading hours), the Company and WKW Equity entered into a non-legally binding Strategic Alliance Memorandum, pursuant to which the parties have agreed to (i) co-operate with each other in the areas of electric motors, electrical controller and range extender, as well as the research, development and commercial production of new energy vehicles; and (ii) the proposed establishment of a joint venture company.

THE STRATEGIC ALLIANCE MEMORANDUM

Date

20 March 2017

Parties

- (a) the Company
- (b) 北京威卡威汽车零部件股份有限公司 (Beijing WKW Automotive Parts Co., Ltd.)
 (“**WKW Equity**”)

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, WKW Equity and its 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 Alliance Memorandum

The Strategic Alliance Memorandum contemplates the parties’ strategic cooperation intention to:

- (i) the implementation of the production of new energy vehicles (including the H600, which is a range-extended electric sedan equipped with an eco-sustainable propulsion system) and subsequent products production/quantity matters (the “**Production**”), including but not limited to the set-up of research and production bases (initially proposed to be in China, North America and Europe);
- (ii) the establishment of the Joint Venture headquartered in Hong Kong for the global strategic planning in business and overall operation in relation to the Production; and
- (iii) explore mutually beneficial business opportunities in the new energy industry.

Capital contribution

Pursuant to the terms of the Strategic Alliance Memorandum and subject to the signing of definitive joint venture agreement, each of the parties will own 50% equity interests in the Joint Venture.

The proposed investment of the Joint Venture is RMB12 billion.

The capital contribution to be made by the Company to the Joint Venture is RMB6 billion, which is proposed to be settled by way of injection of patents, intellectual property rights and technological know-how that are essential for the Production (subject to valuation), any shortfall (if any) after valuation will be settled by cash. The remaining capital contribution to be made by WKW Equity to the Joint Venture in the sum of RMB6 billion is proposed to be settled by cash.

The parties to the Strategic Alliance Memorandum will further negotiate on the definitive terms of, and target to enter into, the formal agreement(s) within the next three months to reflect the spirit, intention and understanding envisaged under in the Strategic Alliance Memorandum.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE STRATEGIC ALLIANCE MEMORANDUM

The Group is principally engaged in the environmentally-friendly vehicles and related businesses. The Company has been pioneering innovative approaches to developing breakthrough concept vehicles that blend design and styling with functionality and practicalities.

WKW Equity 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.

The Company and WKW Equity have already formed a working group to conduct research on new power batteries through a joint venture as disclosed in the announcement of the Company dated 14 March 2017. By entering into of the Strategic Alliance Memorandum, the Company and WKW Equity are able to further complement the strength of each other in the respective resource and technology advantages and achieve a more comprehensive strategic cooperation for the sustainable development of clean energy industry.

The H600 concept new energy vehicle, as the flagship product selected by the Company and WKW Equity, is equipped with an energy recycling system that can greatly improve energy efficiency and contribute to the mission of sustainable development, and characterized by stylish surfaces and dynamic lines. The H600 concept new energy vehicle is expected to open up a new horizon and infinite prospects for the new energy vehicle industry.

The Board expects that cooperating and developing new energy vehicles with WKW Equity will reap greater synergies, as the parties have their respective required expertise and solid experience in the field of automobile and new energy business. Looking forward, the Board believes that the establishment of the Joint Venture for the Production will enable the Group to (i) create a platform for the promotion of clean energy, taking advantage of the opportunity emerged in the PRC's 13th Five-Year Plan regarding the energy conservation and environmental protection; (ii) strengthen its own production capacity and ability in the design, research and development of electric motor vehicles; and (iii) expand its business scale as well as market share in the automobile industry.

The Board considers that the terms of the Strategic Alliance Memorandum, which was entered into after arm's length negotiation between the Company and WKW Equity, are fair and reasonable, and the implementation of the transactions envisaged thereunder (if materialised) are in the interests of the Company and the Shareholders as a whole.

POSSIBLE LISTING RULES IMPLICATIONS

The proposed participation and investment in the Production and the establishment of the Joint Venture as envisaged under the Strategic Alliance Memorandum, 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.

The Strategic Alliance Memorandum may or may not lead to the execution of any definitive agreements in respect of the Production and/or the establishment of the Joint Venture. Shareholders and the potential investors of the Company are urged to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the terms used herein shall have the following meanings:

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“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
“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
“Joint Venture”	the joint venture proposed to be established by the Company and WKW Equity and envisaged under the Strategic Alliance Memorandum
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Production”	the production of new energy vehicles (including the H600, which is a range-extended electric sedan equipped with an eco-sustainable propulsion system, the patent of which was owned by the Company) and subsequent products production/quantity matters
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Alliance Memorandum”	the strategic alliance memorandum dated 20 March 2017 entered into by the Company with WKW Equity to record the parties’ strategic cooperation intention regarding the Production and the establishment of the Joint Venture
“WKW Equity”	北京威卡威汽车零部件股份有限公司 (Beijing WKW Automotive Parts Co., Ltd.), a company established in the PRC with limited liability and listed on the Shenzhen Stock Exchange (stock code: 002662.SZ)
“%”	per cent.

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

Hong Kong, 20 March 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 Lui Stephen Quan, Dr Zhu Shengliang, 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.