HYBRID KINETIC GROUP LIMITED
正道集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1188)

LEGAL PROCEEDINGS

INTRODUCTION

This announcement is made by the board of directors (the "**Board**") of Hybrid Kinetic Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

LEGAL PROCEEDINGS

The Company, along with one of its wholly-owned subsidiaries, Billion Energy Holdings Limited ("**Billion Energy**"), have been named as defendants in certain civil lawsuit, commenced by Townsend Ventures LLC ("**Townsend**"), XALT Energy LLC ("**XALT**") and XALT Energy MI, LLC ("**XALT MI**" and, together with Townsend and XALT, the "**Plaintiffs**"), filed in the United States District Court for the Northern District of Maryland in Baltimore (the "**Lawsuit**"). In the Lawsuit, the Plaintiffs assert claims for breach of contract of terms purportedly arose in certain agreements (including a supply agreement dated 20 March 2015 entered into between Billion Energy and XALT MI for the supply of battery cells by XALT MI to Billion Energy, which is the core of the Lawsuit) and fraud.

The Company and Billion Energy were served in February 2017. Having considered the alleged claims of the Plaintiffs as pled in the Lawsuit and consulted with its legal advisers, the Company and Billion Energy believe the Company and Billion Energy's position is meritorious, and have instructed legal counsel to defend the Lawsuit vigorously.

To contest the Lawsuit, the Company and Billion Energy filed in February 2017 a motion (the "**Motion**") to request for (i) a stay of proceedings of the Lawsuit and compel arbitration in Hong Kong (pursuant to the terms of the supply agreement as agreed by the parties); or (ii) alternatively, to dismiss the claims by the Plaintiffs or request for the Plaintiffs to provide a more definite statement of claims to substantiate their cases. In early March 2017, the Plaintiffs filed an opposition to the Motion. The Company and Billion Energy are in the course of preparing a reply for filing before the end of March 2017, to further assert their position.

If necessary, the Company and Billion Energy will file an answer in response to the alleged claims of the Plaintiffs, after resolution of the Motion. No discovery has taken place and no trial date has yet been set as of the date of this announcement.

The Group is under normal operation. The Board is optimistic about the strengths of the Group's case regarding the Lawsuit and considers it has insignificant effect on the business, operations or financial position of the Group until the matters in dispute are resolved by the parties or finally adjudicated by legal proceedings.

Further, as concurred by the legal counsel engaged by the Group, given that the Lawsuit is still in a preliminary stage and has not gone into substantive pleadings stage, it is not meaningful or currently practical to assess its potential impact on the Group. The Board is of the view that no contingent liabilities have arisen or there is no basis for any contingent liabilities to be recognised for the Lawsuit based on its current development.

The Company is in the process of preparing its consolidated financial statements for the year ended 31 December 2016 (the "**2016 Annual Results**"). The Lawsuit, which occurred after the reporting period and before the release of the 2016 Annual Results, will call for financial statement disclosure in the 2016 Annual Results.

The Company will keep its shareholders and potential investors of the Company informed of any further material developments in connection with the Lawsuit as and when appropriate.

Shareholders and potential investors of the Company are advised to exercise caution in dealing in the securities of the Company and pay attention to risks.

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

Hong Kong, 26 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 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 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.