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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)

DISCLOSEABLE TRANSACTION
DISPOSAL OF EQUITY INTEREST IN AN ASSOCIATE

Financial adviser to the Company

Donvex 富域資本

Donvex Capital Limited
富域資本有限公司

THE DISPOSAL

On 13 December 2022, the Vendor, a direct wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to acquire the Sale Shares, representing 14.2857% equity interest in the Target Company, at the Consideration of RMB16,000,000.

As at the date of this announcement, the Group indirectly holds the Sale Shares, representing 14.2857% equity interest in the Target Company which is classified as investment in an associate in the consolidated financial statement of the Company. Immediately after the Completion, the Group will retain no equity interest in the Target Company and the Target Company will cease to be an associate of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio for the Company in respect of the Disposal exceeds 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

On 13 December 2022, the Vendor, a direct wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to acquire the Sale Shares, representing 14.2857% equity interest in the Target Company, at the Consideration of RMB16,000,000.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

Date

13 December 2022

Parties

(i) the Vendor, being Ningbo Meilide Consulting Co., Ltd., a direct wholly-owned subsidiary of the Company; and

(ii) the Purchaser, being Shenzhen Hainaji Technology Co., Ltd.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are not connected persons of the Company under the Listing Rules.

The Disposal

Under the Equity Transfer Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to acquire the Sale Shares, representing 14.2857% equity interest in the Target Company.

Consideration

The Consideration payable by the Purchaser under the Equity Transfer Agreement is RMB16,000,000 and shall be payable in cash in the following manner pursuant to the terms and conditions of the Equity Transfer Agreement:

(i) the first installment of RMB5,000,000 shall be payable by the Purchaser to the Vendor within 30 days after the date of the Equity Transfer Agreement, together with a written notice from the Vendor to the Purchaser in relation to the full satisfaction of all the conditions precedent. Upon the receipt of the first installment, the Vendor shall transfer first batch of the Sale Shares, being 8% of the equity interest of the Target Company, to the Purchaser (the "**First Completion**") within 14 days;

(ii) the second installment of RMB3,000,000 shall be payable by the Purchaser to the Vendor within 60 days after the date of the First Completion. Upon the receipt of the second installment, the Vendor shall transfer the remaining of the Sale Shares, being 6.2857% of the equity interest in the Target Company, to the Purchaser (the "**Second Completion**") within 14 days; and

(iii) the remaining of the Consideration of RMB8,000,000 shall be payable by the Purchaser to the Vendor within 90 days after the date of Second Completion (the "**Third Installment**").

In the event the Third Installment has not been fully settled by the Purchaser within 90 days after the date of Second Completion, an overdue interest would be accrued on the outstanding balance of the Third Installment from the day immediately after the ninetieth day of Second Completion, until all the outstanding payment is fully settled. The interest rate shall be determined by the benchmark of the loan prime rate on the one-year bank loans published by the People's Bank of China in November 2022.

In the event any installment of the Consideration remains unsettled for more than 60 days, the Vendor shall be entitled to terminate the Equity Transfer Agreement with a written notice (the "**Termination**"). Within 10 days after the date of the Termination, the Vendor shall return all the funds paid by the Purchaser, after deducting 10% of the aggregate amount of the Consideration as compensation, whereby the Purchaser shall return all the transferred Sale Shares to the Vendor.

The Consideration was determined and arrived at after arm's length negotiations between the parties to the Equity Transfer Agreement on normal commercial terms with reference to the net book value of net assets of the Target Company and the business prospects of the Target Company as respectively perceived by the Purchaser and the Vendor.

The Purchaser has undertaken to the Vendor that, in the event the Purchaser subsequently disposed the Sale Shares to third parties at a consideration higher than the Consideration under the Equity Transfer Agreement within 270 days after the date of the Second Completion, the Purchaser shall pay to the Vendor the premium generated from the aforementioned subsequent disposal of the Sale Shares.

Conditions Precedent

The Completion is conditional upon fulfillment or waiver (as the case may be) of the following conditions:

(i) the Vendor having obtained all necessary and required approvals in relation to the Disposal contemplated under the Equity Transfer Agreement, including but not limited to the requirements under the Listing Rules;

(ii) no order or judgment (whether written, potential, provisional, preliminary or permanent) of any applicable laws or regulations has been issued or made by any relevant government authority or court, which makes it unlawful for either the Vendor or the Group to complete, or otherwise prohibits or restricts either of them from completing, any transactions under the Equity Transfer Agreement; and

(iii) the representations and warranties provided by the Vendor under the Equity Transfer Agreement remaining true, accurate and not misleading in all material respects at Completion.

Save for condition (iii) above which may be waived in writing by the Purchaser, none of the conditions set out above can be waived by any party to the Equity Transfer Agreement.

If the aforementioned conditions precedent are not fully fulfilled and/or waived by 31 December 2022, the Equity Transfer Agreement and the terms and conditions thereof will immediately and automatically terminate, in which case, no party to the Equity Transfer Agreement shall have any further obligations or liabilities under or arising from the Equity Transfer Agreement, save for the accrued rights or liabilities of any party to the other party in respect of the terms herein at or before such termination.

Completion

The Disposal shall complete on the Completion Date upon the Third Installment has been fully settled by the Purchaser.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability and is principally engaged in (i) the research, development, production and sale of power batteries, batteries materials and control systems of motor; and (ii) the development of technology in manufacturing key parts of new energy vehicles.

The financial information of the Target Company for the two years ended 31 December 2021 and the six months period ended 30 June 2022 is as follow:

	For the year ended 31 December 2020	**For the year ended 31 December 2021**	**For the six months ended 30 June 2022**
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Unaudited)
Revenue	321	2,968	1,471
Net loss after taxation	(16,600)	(13,982)	(7,720)

The unaudited total asset value and the unaudited net assets of the Target Company as at 30 June 2022 are RMB57.9 million and RMB37.8 million respectively.

INFORMATION ON THE GROUP

The Group is principally engaged in (i) the development and sale of battery management systems and spare parts, high-tech electric motor vehicles, and advanced batteries materials; and (ii) the provision of finance leasing services.

INFORMATION ON THE PURCHASER

The Purchaser is a limited company incorporated in the PRC and is principally engaged in (i) the research, development and manufacturing of cells used in new energy vehicles; and (ii) the sale of auxiliary materials and key parts of new energy vehicles. The ultimate beneficial owner of the Purchaser is Mr. Wang Haijiang ("**Mr. Wang**"), a businessman with extensive investments in the new energy vehicle industry in the PRC, who holds 51.4286% of the equity interest in the Target Company as at the date of this announcement.

The Vendor, a directly wholly-owned subsidiary of the Company, is only directly interested in 14.2857% of the equity interest in the Target Company which is less than 30%, accordingly Mr. Wang, the controlling shareholder of the Target Company is not regarded as an associate of the Company pursuant to Rule 14A.15(2) of the Listing Rules. As such, Mr. Wang and the Purchaser are not connected persons of the Company under Rule 14A.07(4) of the Listing Rules.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Reference is made to the announcements of the Company dated 24 December 2015 in relation to the proposed establishment of the Target Company. On 24 December 2015, the Group entered into a framework agreement with South University of Science and Technology of China (a public university founded in the Shenzhen Special Economic Zone of the PRC in 2010) for the proposed co-establishment of the Target Company. The establishment of the Target Company was for the development and application of the technology for fuel cell stack with focus in hydrogen fuel technology.

While there are no significant breakthrough in the research and development of hydrogen fuel technology by the Target Company, the Group has conducted its own research and development on lithium battery technologies since 2010 with its in-house research and development division, which has successfully achieved various milestones, including but not limited to the application of graphene material in battery systems for the development graphene polyhydric lithium titanate oxide batteries.

Furthermore, the Group already possesses all major technologies and know-how required for the production of electric vehicles. Accordingly, the electric vehicles offered by the Group will focus on utilising its own fuel technology instead of hydrogen fuel technology. As such, the Group intend to withdraw from the Target Company to focus in its developments given there will be no impact on the business operation and the development of electric vehicles of the Group upon Completion of the Disposal.

In addition, with the cash inflow from the Disposal, the Group considered that the Disposal would offer an opportunity to realise its investment in the Target Company, and to focus its resources in the further exploration and development of new energy vehicles and components-related business(es) or venture(s) with better prospects or higher growth potential that will best serve the interests of the Company and its shareholders in the long run.

Taking into account of the above, the Directors consider that the terms of the Equity Transfer Agreement, including the Consideration, are fair and reasonable and on normal commercial terms and the Disposal is in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

As at the date of this announcement, the Group indirectly holds approximately 14.2857% equity interest in the Target Company which is classified as investment in an associate in the consolidated financial statement of the Company. Immediately after the Completion, the Group will retain no equity interest in the Target Company and the Target Company will cease to be an associate of the Company.

For illustrative purpose, it is expected that the Group will recognise a gain on the Disposal of approximately HK$17.5 million, which is calculated based on (i) the balance of investment in associate of approximately HK$131,000 as at 30 June 2022; and (ii) the Consideration.

The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to audit and will be assessed after the Completion.

USE OF PROCEEDS

It is expected that the net proceeds from the Disposal of approximately HK$17.6 million will be utilised for working capital for the Group.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio for the Company in respect of the Disposal exceeds 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares has been suspended with effect from 9:00 a.m. on 1 April 2021. Trading in the Shares will remain suspended pending fulfilment of the resumption guidance issued by the Stock Exchange and any supplement or medication thereto.

DEFINITIONS

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

"Board"	the board of Directors
"Company"	Hybrid Kinetic Group Limited, a company incorporated in the Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	the completion of the Disposal in accordance with the terms and conditions of the Equity Transfer Agreement
"connected person(s)"	has the meaning as ascribed to it under the Listing Rules
"Consideration"	the consideration of RMB16,000,000 for the Disposal under the Equity Transfer Agreement
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Sale Shares by the Vendor pursuant to the Equity Transfer Agreement

"Equity Transfer Agreement"	the equity transfer agreement dated 13 December 2022 entered into between the Vendor and the Purchaser in relation to the Disposal
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected persons
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Purchaser"	Shenzhen Hainaji Technology Co., Ltd.* (深圳市海納吉科技有限公司), a limited company incorporated in the PRC
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	14.2857% equity interest in the Target Company held by the Vendor
"Share(s)"	the ordinary share(s) of HK$0.10 each in the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Shenzhen SUSTC Fuel Cell Company Limited* (深圳市南科燃料電池有限公司), a limited company incorporated in the PRC and an associate of the Company prior to the Disposal

"Vendor"	Ningbo Meilide Consulting Co., Ltd.* (寧波美立德諮詢有限公司), a limited company incorporated in the PRC and a direct wholly-owned subsidiary of the Company
"%"	per cent

* *For identification purpose only*

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

Hong Kong, 13 December 2022

As at the date of this announcement, the Board comprises six executive Directors, namely Dr Yeung Yung (Chairman), Mr Feng Rui (Chief Executive Officer), Mr Liu Stephen Quan, Dr Zhu Shengliang, Mr Li Zhengshan and Mr Chen Xiao, one non-executive Director, namely Dr Xia Tingkang, Tim and five independent non-executive Directors, namely Dr Zhu Guobin, Mr Cheng Tat Wa, Dr Li Jianyong, Mr Chan Sin Hang and Mr Lee Cheung Yuet Horace.