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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)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

Financial adviser to the Company



On 20 September 2022, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for 2,000,000,000 Subscription Shares at the Subscription Price of HK\$0.10 per Subscription Share.

The 2,000,000,000 Subscription Shares represent approximately 9.83% of the total number of Shares in issue as at the date of this announcement and approximately 8.95% of the total number of Shares in issue and as enlarged by the allotment and issue of the Subscription Shares, assuming that there will be no changes in the issued share capital of the Company between the date of this announcement and the date of allotment and issue of the Subscription Shares.

The Subscription Price of HK\$0.10 per Subscription Share represents: (i) a premium of approximately 150.00% to the closing price per Share of HK\$0.040 as quoted on the Stock Exchange on 31 March 2021, being the Last Trading Day; (ii) a premium of approximately 96.08% over the average closing price of HK\$0.051 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and (iii) a premium of approximately 354.55% to the unaudited consolidated net asset value per Share attributable to the Shareholders as at 30 June 2022 of approximately HK\$0.022 per Share, calculated based on the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$442,618,000 as at 30 June 2022 as set out in the latest published interim report of the Company for the six months ended 30 June 2022 and 20,352,872,747 Shares in issue as at the date of this announcement.

The gross proceeds from the Subscription will be HK\$200.0 million and the net proceeds from the Subscription, after deduction of the expenses related to the Subscription of approximately HK\$0.1 million, is estimated to be approximately HK\$199.9 million, which is intended to be used for the settlement of the promissory notes to be issued by the Company under the Acquisition.

The Subscription Shares will be allotted and issued under the General Mandate and is not subject to the Shareholders' approval.

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

On 20 September 2022, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 2,000,000,000 Subscription Shares at a Subscription Price of HK\$0.10 per Subscription Share. Details of the Subscription Agreement are set out below:

THE SUBSCRIPTION AGREEMENT

Date

20 September 2022

Parties to the Subscription Agreement

Issuer: the Company

Subscriber: M6 Investments L.L.C. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber is a third party independent of the Company and the connected persons of the Company.

Number of the Subscription Shares

The 2,000,000,000 Subscription Shares represent approximately 9.83% of the total number of Shares in issue as at the date of this announcement and approximately 8.95% of the total number of Shares in issue and as enlarged by the allotment and issue of the Subscription Shares, assuming that there will be no changes in the issued share capital of the Company between the date of this announcement and the date of allotment and issue of the Subscription Shares. The aggregate nominal value of the Subscription Shares is HK\$200,000,000. The Subscription Shares will rank pari passu in all respects among themselves and with all other fully paid Shares in issue on the date of issue of the Subscription Shares.

Subscription Price

The Subscription Price of HK\$0.10 per Subscription Share represents:

- (i) a premium of approximately 150.00% to the closing price per Share of HK\$0.040 as quoted on the Stock Exchange on 31 March 2021, being the Last Trading Day;
- (ii) a premium of approximately 96.08% over the average closing price of HK\$0.051 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and

- (iii) a premium of approximately 354.55% to the unaudited consolidated net asset value per Share attributable to the Shareholders as at 30 June 2022 of approximately HK\$0.022 per Share, calculated based on the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$442,618,000 as at 30 June 2022 as set out in the latest published interim report of the Company for the six months ended 30 June 2022 and 20,352,872,747 Shares in issue as at the date of this announcement.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to (i) the par value of the Shares; and (ii) the closing price of the Shares on the Last Trading Day.

The Directors are of the view that the Subscription Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole. The total consideration for the Subscription Price of 2,000,000,000 Subscription Shares is HK\$200.0 million, which shall be satisfied by the Subscriber by payment to the Company in cash upon completion of the Subscription.

Conditions precedent to the completion of the Subscription

Completion of the Subscription under the Subscription Agreement is conditional upon fulfillment of the following conditions:

- (i) listing of and permission to deal in all the Subscription Shares being granted by the Listing Committee of the Stock Exchange (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares);
- (ii) the Shareholders approving the Subscription and the related transactions contemplated thereunder at a special general meeting, as and when necessary;
- (iii) the Subscriber being satisfied with the results of its due diligence review of the Group;
and

(iv) all representations and warranties remain true, accurate and not misleading in all material aspects upon Closing Date.

The condition precedent (i) above is not capable to be waived by the Company and the Subscriber. The Subscriber may waive the conditions (iii) and (iv) above.

As at the date of this announcement, condition (ii) above has been satisfied as the Subscription Shares will be issued under the General Mandate.

Completion shall take place on the Closing Date after the fulfilment of the above conditions precedent. In the event that any of the conditions precedent has not been fulfilled or waived on or prior to the Long Stop Date, the obligations of the parties to the Subscription Agreement shall cease and determine and neither party shall have any claim under the Subscription Agreement save for any antecedent breaches.

GENERAL MANDATE

The Subscription Shares will be issued under the General Mandate approved on 6 June 2022 and is not subject to the Shareholders' approval. The maximum number of Shares that can be issued under the General Mandate is 4,070,574,549 Shares, being 20 % of the total number of Shares in issue as at the date of the annual general meeting of the Company held on 6 June 2022.

As at the date of this announcement, the Company has not allotted or issued any Shares under the General Mandate.

LISTING APPLICATION

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

INFORMATION ON THE SUBSCRIBER

The Subscriber is an investment fund established in the United Arab Emirates principally engaged in investment in various industries including energy and industrial enterprises. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, (i) the ultimate beneficial owner of the Subscriber is Mr. Mohammad Ali Abdulla Alshafar, who is a citizen of the United Arab Emirates; and (ii) the Subscriber and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

REASONS FOR THE SUBSCRIPTION AND THE USE OF PROCEEDS

The Group is principally engaged in the development of high-tech electric motor vehicles, development and sales of battery management systems and spare parts and development of advanced batteries materials.

As disclosed in the annual report of the Company for the year ended 31 December 2021, the Company has continued to explore investment and collaboration opportunities with its partners to develop its electric vehicle business. On 28 August 2022, the Company entered into a sale and purchase agreement in relation to the Acquisition, pursuant to which the Company has conditionally agreed to acquire the entire equity interest of a company, with its non-wholly owned subsidiary principally engaged in manufacturing of automobile parts, including transmission gearbox, systems and accessories in the PRC, at a consideration of HK\$392 million which will be settled by the issuance of promissory notes by the Company. Details of the Acquisition will be disclosed in an announcement to be published by the Company.

The gross proceeds from the Subscription will be HK\$200.0 million and the net proceeds from the Subscription, after deduction of the expenses related to the Subscription of approximately HK\$0.1 million, is estimated to be approximately HK\$199.9 million, which is intended to be used for the settlement of the promissory notes to be issued by the Company under the Acquisition.

The Directors consider the terms of the Subscription Agreement, which were negotiated on an arm's length basis and agreed on normal commercial terms between the parties thereto, are fair and reasonable, and the Subscription is in the interests of the Company and Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 20,352,872,747 Shares in issue. Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon completion of the Subscription, assuming there are no changes in the issued share capital of the Company between the date of this announcement and the date of allotment and issue of the Subscription Shares, for illustration purposes only:

Name of Shareholders	As at the date of this announcement		Immediately after completion of the Subscription	
	<i>Number of issued Shares</i>	<i>Approximate %</i>	<i>Number of issued Shares</i>	<i>Approximate %</i>
Sun East LLC (<i>Note</i>)	2,673,071,189	13.13	2,673,071,189	11.96
The Subscriber	–	–	2,000,000,000	8.95
Public Shareholders	<u>17,679,801,558</u>	<u>86.87</u>	<u>17,679,801,558</u>	<u>79.09</u>
Total	<u>20,352,872,747</u>	<u>100.00</u>	<u>22,352,872,747</u>	<u>100.00</u>

Note: Sun East LLC is owned as to 35% by Dr. Yeung Yung (shared commonly with his spouse under the laws of California, the US) and 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) was deemed to be interested in these 2,673,071,189 Shares held by Sun East LLC under Part XV of the SFO.

EQUITY FUND-RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activities in the 12 months immediately preceding the date of the Subscription Agreement and this announcement.

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 modification thereto.

The Exchange is minded not to grant the listing approval of any issuance of new securities by the Company unless the Company can fulfill all resumption guidance and resume trading. As the completion of the Subscription is subject to the fulfilment of the condition precedent as stated in the Subscription Agreement, the Subscription may or may not proceed. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the conditional acquisition of the entire equity interest of Best Knob International Limited at a consideration of approximately HK\$392 million pursuant to a sale and purchase agreement dated 28 August 2022 entered into by the Company, Best Knob International Limited and Chang Da International Limited
“Board”	the board of Directors
“Business Day”	any day (excluding Saturdays, Sundays and any other public holidays and any day on which a tropical cyclone warning No.8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which banks generally are open for business in Hong Kong
“Closing Date”	the 5th Business Day immediately after the date on which all the conditions precedent to the completion of the Subscription are fulfilled or waived (as the case may be), or such later time and/or date as the Parties may agree
“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

“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted by the Shareholders at the annual general meeting of the Company held on 6 June 2022, under which up to a total of 4,070,574,549 Shares (being up to 20% of the total issued share capital of the Company as at the date of the passing of the relevant resolution, which was 6 June 2022) can be allotted and issued by the Directors
“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
“Last Trading Day”	31 March 2021, being the last trading day for the Shares prior to the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 November 2022, or such other date the parties may agree in writing
“Parties”	the named parties to the Subscription Agreement and their respective successors and permitted assigns
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	M6 Investments L.L.C., a limited company incorporated in the United Arab Emirates and an independent third party to the Company
“Subscription”	the subscription of 2,000,000,000 Subscription Shares by the Subscriber in accordance with the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 20 September 2022 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	the subscription price of HK\$0.10 per Subscription Share
“Subscription Shares”	the 2,000,000,000 new Shares to be issued by the Company to the Subscriber upon completion of the Subscription Agreement
“%”	per cent

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

Hong Kong, 26 September 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.