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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**



### **THE DISPOSAL**

On 27 September 2022, the Vendor, an indirect 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 18% equity interest in the Ningbo JV, at the Consideration of RMB1,000,000.

As at the date of this announcement, the Group indirectly holds the Sale Shares, representing 18% equity interest in the Ningbo JV 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 Ningbo JV and the Ningbo JV will cease to be an associate of the Company.

## **THE INTELLECTUAL PROPERTY LICENSE AGREEMENT**

As the Vendor will cease to be a shareholder of Ningbo JV, on 27 September 2022, the Vendor and the Ningbo JV entered into a Intellectual Property License Agreement, pursuant to which Ningbo JV has agreed to grant to the Vendor the exclusive right to use the Intellectual Property owned by Ningbo JV at a consideration of RMB1.

## **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.

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## **THE EQUITY TRANSFER AGREEMENT**

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

### **Date**

27 September 2022

### **Parties**

- (i) the Vendor, being Lianyungang Hybrid Kinetic New Energy Vehicle System Integration Co, Ltd., an indirect wholly-owned subsidiary of the Company
- (ii) the Purchaser, being Hainan Yunbang Private Equity Fund Management 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 Independent Third Parties.

## **The Disposal**

Under the Equity Transfer Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to acquire the Sale Shares, representing 18% equity interest in the Ningbo JV.

## **Consideration**

The Consideration payable by the Purchaser under the Equity Transfer Agreement is RMB1,000,000 and shall be paid in cash in the following manner pursuant to the terms and conditions of the Equity Transfer Agreement:

- (i) RMB100,000, representing 10% of the Consideration, shall be payable by the Purchaser to the Vendor as the first installment within five business days after the date of the Equity Transfer Agreement;
- (ii) RMB900,000, representing 90% of the Consideration, shall be payable by the Purchaser to the Vendor as the second installment after the change of business registration of the Ningbo JV is completed on or before 15 December 2022.

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 prospect of the Ningbo JV as further discussed under the section headed "Reasons for and benefits of the Disposal and the Intellectual Property License".

## **Conditions Precedent**

The Completion is conditional upon fulfillment or, as the case may be, waiver 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) the Vendor, the Ningbo JV and the Purchaser having passed a resolution at the respective board meetings for the approval of the Disposal and other arrangements contemplated under the Equity Transfer Agreement; and

(iii) in the event the Vendor receive an offer with terms and consideration more favorable than that of the Disposal before the Completion, the Vendor may terminate the Disposal.

### **The Completion**

The Disposal shall complete on the Completion Date upon the completion of the relevant registration of the Purchaser as holder of the equity interest.

## **THE INTELLECTUAL PROPERTY LICENSE AGREEMENT**

As the Vendor will cease to be a shareholder of Ningbo JV, on 27 September 2022, the Vendor and the Ningbo JV entered into a Intellectual Property License Agreement, pursuant to which Ningbo JV has agreed to grant to the Vendor the exclusive right to use the Intellectual Property owned by Ningbo JV at a consideration of RMB1.

The Intellectual Property represented the technology and know-how possessed by the Ningbo JV, which includes all the technologies and know-how on battery technologies developed by the Ningbo JV.

## **INFORMATION ON THE NINGBO JV**

The Ningbo JV 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 Ningbo JV for the two years ended 31 December 2021 is as follow:

	<b>For the year ended 31 December 2020 RMB'000</b>	<b>For the year ended 31 December 2021 RMB'000</b>	<b>For the six months ended 30 June 2022 RMB'000</b>
Revenue	–	–	–
Loss for the year	42,168	32,459	–

The unaudited total asset value and the unaudited net assets of the Ningbo JV as at 30 June 2022 are RMB768.3 million and RMB743.4 million respectively.

## **INFORMATION ON THE GROUP AND THE VENDOR**

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.

The Vendor, an indirect wholly-owned subsidiary of the Company, is a limited company incorporated in the PRC and is principally engaged in (i) the research, development and manufacturing of key parts of new energy vehicles; (ii) import of auxiliary materials and mechanical equipment required for production and research; and (iii) development and wholesale of electronic products, computer software and hardware, and network facilities.

## **INFORMATION ON THE PURCHASER**

The Purchaser is a limited company incorporated in the PRC and is principally engaged in private equity investment fund management and venture capital fund management services. The ultimate beneficial owner of the Purchaser is Mr. Liu Quan, a businessman with diversified investment in the PRC.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL AND THE INTELLECTUAL PROPERTY LICENSE**

### **Background of Ningbo JV**

Reference is made to the announcements of the Company dated 19 February 2017, 14, 15 and 30 March 2017, 2 May 2017, 29 June 2017, 28 July 2017 and 11 April 2018 in relation to the establishment of the Ningbo JV.

In 2017, the Group collaborated with two independent third parties to establish the Ningbo JV for the research, development, production and sale of power batteries, batteries materials and control systems of motors, pursuant to which the Group, Beijing WKW Automotive Parts Co., Ltd. (“**Beijing WKW**”)(a company listed on the Shenzhen Stock Exchange principally engaged in providing exterior and interior trims for mid-high grade passenger cars and supporting research and development as well as relevant services) and Beijing Zhi Yun Asset Management Limited (“**Beijing Zhi Yun**”)(an investment fund principally engaged in corporate investment) shall hold 18%, 27% and 55% of equity interest in Ningbo JV respectively.

It was intended that (i) the Group shall contribute the technologies and know-how for the batteries and battery materials; (ii) Beijing WKW shall contribute the know-how on the application of various technologies in passenger vehicles; and (iii) Beijing Zhi Yun shall provide contribute working capital for the Ningbo JV to jointly develop of new power batteries and related products.

#### **Failure in the intended collaboration**

Despite the Ningbo JV has conducted substantial research and development in new power batteries technologies and related products, as the Group only held a minority interest in the Ningbo JV, the Group is relatively passive in dictating the direction and progress of development of Ningbo JV. As a result of difference in opinions on the direction of research and development among the joint venture partners, there is no material development or breakthrough in the research and development conducted by Ningbo JV since its establishment. As such, the joint venture partners had begun to slow down the development of Ningbo JV.

#### **No impact on the Group’s development and operation**

The Group has conducted research and development on battery technologies since 2010 with its in-house research and development division and 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 an electric vehicle. As such, there will be no impact on the business operation and the development of electric vehicles of the Group upon Completion of the Disposal.

Nevertheless, the Group shall have the exclusive right to use to Intellectual Property, being the technologies and know-how on battery technologies owned by the Ningbo JV, through the Intellectual Property License Agreement. Accordingly, the Disposal together with the Intellectual Property License would allow the Group to focus its resources in its continuous development of new energy vehicles.

## **Conclusion**

Taking into account of the above, the Directors consider that the terms of the Equity Transfer Agreement, including the Consideration, and the Intellectual Property License Agreement, 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 18% equity interest in the Ningbo JV 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 Ningbo JV and the Ningbo JV will cease to be an associate of the Company.

For illustrative purpose, it is expected that the Group will recognise a loss on the Disposal of approximately RMB132.8 million for the year ending 31 December 2022, which is calculated based on (i) the balance of investment in associate of approximately RMB133.8 million as at 30 June 2022; and (ii) the Consideration.

As the Group will be granted the exclusive rights to use the Intellectual Property under the Intellectual Property License Agreement, the Group may record right-of-use assets for the Intellectual Property in its financial statements. Nevertheless, as the economic benefits of the Intellectual Property can not be ascertained as at the date of this announcement, the value of such Intellectual Property may not be able to be reflected in the financial statements of the Company.

The actual gain or loss as a result of the Disposal (together with the Intellectual Property) 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\$1 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 RMB1,000,000 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 27 September 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
“Intellectual Property”	the patent and technical know-how owned by Ningbo JV, which rights will be granted to the Vendor pursuant to the Intellectual Property License Agreement
“Intellectual Property License Agreement”	the agreement dated 27 September 2022 entered into between the Vendor and Ningbo JV for the Intellectual Property License

“Intellectual Property License”	the grant of the exclusive right to use certain patent and know-how owned by Ningbo JV to the Vendor pursuant to the Intellectual Property License Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	Hainan Yunbang Private Equity Fund Management Co., Ltd. (海南雲邦私募基金管理有限公司), a limited company incorporated in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	18% equity interest in the Ningbo JV 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
“Ningbo JV”	Ningbo Jingwei Power Battery Co., Ltd. (寧波京威動力電池有限公司), a limited company incorporated in the PRC and an associate of the Company prior to the Disposal
“Vendor”	Lianyungang Hybrid Kinetic New Energy Vehicle System Integration Co, Ltd. (連雲港正道新能源汽車系統集成有限公司), a limited company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company

“%”

per cent

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

Hong Kong, 19 October 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.*