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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)**

### **MAJOR TRANSACTION COOPERATIVE AGREEMENT REGARDING ESTABLISHMENT OF A PROJECT COMPANY AND RESUMPTION OF TRADING**

#### **THE COOPERATIVE AGREEMENT – ESTABLISHMENT OF A PROJECT COMPANY**

On 23 November 2012, the Company entered into the Cooperative Agreement, which is legally binding, with (i) Jiangsu NewHeadLine, (ii) LianYunGang TianYang and (iii) LETDZ to agree to certain terms, and to record the understanding of the respective parties, in relation to the proposed establishment of the Project Company for the promotion and development of the New Energy Project to be based in LETDZ, Jiangsu Province, the PRC.

#### **LISTING RULES IMPLICATIONS**

As the highest of the applicable percentage ratios (as defined in the Listing Rules) for the Transaction is more than 25% but less than 100%, the Transaction constitutes a major transaction for the Company and is accordingly subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **THE SGM**

A circular containing, among other things, further details of the Transaction together with a notice convening the SGM is expected to be despatched to the Shareholders on or before 18 December 2012.

## **RESUMPTION OF TRADING IN SHARES**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:00 a.m. on 23 November 2012 pending the release of, among others, this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on 27 November 2012.

## **THE COOPERATIVE AGREEMENT**

The Board is pleased to announce that on 23 November 2012, the Company entered into the Cooperative Agreement, which is legally-binding, with (i) Jiangsu NewHeadLine, (ii) LianYunGang TianYang and (iii) LETDZ to agree to certain terms, and to record the understanding of the respective parties, in relation to the proposed establishment of the Project Company for the promotion and development of the New Energy Project to be based in LETDZ, Jiangsu Province, the PRC.

### **Information on the New Energy Project**

The New Energy Project proposed to be undertaken, launched and developed by the Project Company in the LETDZ involves the construction of key new energy automobile component production facilities. The production facilities of the New Energy Project will engage in the production of key new energy automobile components, which includes battery materials, super batteries, electric control systems, and electrolyte. The total investment amount of the New Energy Project will be RMB10,000,000,000 (equivalent to approximately HK\$12,444,000,000). It is envisaged that the New Energy Project, if successfully implemented, could bring tide of economic and social benefits to the LETDZ, and pave the way for a sound and rapid development of new energy automobiles and automotive components, both in the PRC and globally.

The construction of the production facilities is planned to commence in 2013 and trial or initial production is expected to commence in early 2015 with the target of ramping up the production capacity of key automobile components of the production facilities to approximately 1,500,000 sets by 2019.

### **Summary of the principal terms of the Cooperative Agreement – Establishment of Project Company**

Proposed name of the Project Company : 連雲港正道新材料與新能源有限公司 (LianYunGang Hybrid Kinetic New Components and New Energy Co., Ltd.)\*

Parties to the Project Company : (a) the Company (or its wholly-owned subsidiary)  
(b) Jiangsu NewHeadLine  
(c) LianYunGang Tian Yang

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the parties to the Cooperative Agreement and (if applicable) their respective beneficial owners is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

Total registered capital : The total registered capital of the Project Company will be US\$60,000,000 (equivalent to approximately HK\$468,000,000) and is to be contributed by the respective parties to the Cooperative Agreement by way of cash in the following proportions:

(a) 35% of the total registered capital in the sum of US\$21,000,000 (equivalent to approximately HK\$163,800,000) to be contributed and invested by the Company;

- (b) 32% of the total registered capital in the sum of US\$19,200,000 (equivalent to approximately HK\$149,760,000) to be contributed and invested by Jiangsu NewHeadLine; and
- (c) the remaining 33% of the total registered capital in the sum of US\$19,800,000 (equivalent to approximately HK\$154,440,000) to be contributed and invested by LianYunGang TianYang.

The amount of the total registered capital is determined with reference to, among others, the expected scale of the New Energy Project to be undertaken by the Project Company.

Scope of business : To promote the development of the New Energy Project

Conditions precedent : The establishment of the Project Company and the performance of the Agreements are conditional upon:

- (a) compliance of the Company of the applicable requirements under the Listing Rules (including obtaining the approval of the Shareholders) in respect of the Transaction; and
- (b) all necessary approvals from the relevant PRC authorities for the establishment of the Project Company having been obtained.

- Undertaking by the Company : The Company undertakes to, among others:
- (a) introduce advanced technology and products with proper intellectual property rights to the Project Company;
  - (b) assist the Project Company in the acquisition, and/or research and development of, its own advanced technology and products;
  - (c) make recommendation on the composition of the management team of the Project Company; and
  - (d) organise a professional team of members to provide professional advice and services in connection with, among others, matters relating to funding, investment, management and exit.
- Undertaking by Jiangsu NewHeadLine : Jiangsu NewHeadLine undertakes to, among others, cooperate and render assistance in the completion of the registration of the Project Company and in obtaining external funding for the Project Company
- Undertaking by LianYunGang Tian Yang : LianYunGang Tian Yang undertakes to, among others, cooperate and render assistance in the process of planning and construction of the production facilities of the Project Company
- Undertaking by LETDZ : LETDZ undertakes to, among others, offer such preferential policies on, among others, tax and use of land, to the Project Company within the development zone to facilitate the development of the New Energy Project

Other terms : Subject to the other terms to be agreed by the parties to the Cooperative Agreement and contained in the articles and/or any other agreement(s) which may be entered into by the parties to the Cooperative Agreement for governing or perfecting the establishment of the Project Company.

Governing law : PRC

### **Source of fund of the Company**

The registered capital to be contributed by the Company towards the establishment of the Project Company is intended to be funded by the net proceeds to be raised by the Company by way of equity financing if the proposed transactions involving the subscription of new shares in the Company as announced by the Company in its announcement of 25 November 2012 could be successfully completed and/or such other viable mean(s) as the Company may consider appropriate.

### **Status of the Project Company upon establishment**

Subject to the successful establishment of the Project Company, the Project Company will become an associate company of the Company.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The proposed co-operation as contemplated in the Cooperative Agreement and the participation by the Company in the New Energy Project, if materialized, would allow the Company to, among others:

- (i) further expand the Group's automobile business;
- (ii) apply, with an emphasis on environmental stewardship and innovation, the latest new energy technology in the production of key automobile components for the manufacture of customer-oriented, affordable, new energy automobiles that vie for consumer use; and
- (iii) further penetrate into the PRC automobile industry with the benefits of the preferential policies offered by LETDZ and under the auspice of the local governmental authorities.

The above factors would, in the long run, be expected to move the Group a big step further in the development of its automobile business.

The Directors are of the opinion that the terms of the Cooperative Agreement are fair and reasonable and the Transaction is in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE COMPANY**

The Company is an investment holding company. The Group is principally engaged in environmental products business and natural resources business. In addition, the Group is actively exploring business opportunities in the automobile industry in the PRC and the US, which include the research, development and commercialization of energy saving and environmentally friendly, multi-fuel hybrid engine.

## **INFORMATION ON JIANGSU NEWHEADLINE**

Jiangsu NewHeadLine is a state-owned limited liability company incorporated in the PRC. Its principal business activities include assets management, assets investment, infrastructure development, lands development and sewage treatment.

## **INFORMATION ON LIANYUNGANG TIANYANG**

LianYunGang TianYang is a limited liability company incorporated in the PRC, which principally engages in the research and development of automobile components and the manufacture, sales and repair of automobiles, motorcycles and other electrical and mechanical products.

## **INFORMATION ON LETDZ**

LETDZ is one of the first state level development zones approved by the State Council in December 1984, the key carrier of export-oriented economy and the core area for Lianyungang constructing international coastal city. Within the zone, there are state-level export processing zone, state-level new pharmaceutical industry base, state-level high-tech new material industrial base, provincial level international outsourcing service demonstration zone, provincial level high-performance fiber inspection center and other technological innovation carriers. LETDZ has the advantages endowed by the nature to develop industries such as petrochemical, metallurgy, equipment manufacturing, new pharmaceutical, new energy and new material.

## **LISTING RULES IMPLICATIONS**

As the highest of the applicable percentage ratios (as defined in the Listing Rules) for the Transaction is more than 25% but less than 100%, the Transaction constitutes a major transaction for the Company, and is subject to the notification, announcement and shareholders' approval requirements under Rule 14.33 of the Listing Rules.

## **GENERAL**

A circular containing, among other things, further details of the Transaction as contemplated under the Cooperative Agreement together with a notice convening the SGM is expected to be despatched to the Shareholders on or before 18 December 2012.

## **RESUMPTION OF TRADING IN SHARES**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:00 a.m. on 23 November 2012 pending the release of, among others, this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on 27 November 2012.



## DEFINITIONS

In this announcement, the following expressions, unless the context requires otherwise, have the following meanings:

|                         |  |
|-------------------------|--|
| “Agreements”            | the Cooperative Agreement, the articles and/or any other agreement(s) entered and/or to be entered into by the parties to the Cooperative Agreement for governing the establishment of the Project Company |
| “associate”             | has the 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), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1188)        |
| “Cooperative Agreement” | the cooperative agreement dated 23 November 2012 entered into among the Company, Jiangsu NewHeadLine, LianYunGang TianYang and LETDZ in relation to the proposed establishment of the Project Company      |
| “Directors”             | the directors of the Company   |
| “Group”                 | the Company and its subsidiaries from time to time   |
| “Hong Kong”             | the Hong Kong Special Administrative Region of the PRC   |
| “Jiangsu NewHeadLine”   | Jiangsu NewHeadLine Development Group Co., Ltd* (江蘇新海連發展集團有限公司), a state-owned limited liability company incorporated in the PRC   |

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|------------------------|--|
| “LETDZ”                | Lianyungang Economic and Technological Development Zone* (連雲港經濟技術開發區), a national level development zone located in Lianyungang, Jiangsu Province, the PRC   |
| “LianYunGang TianYang” | LianYunGang TianYang Automobile Co., Ltd.* (連雲港天洋汽車有限公司), a limited liability company incorporated in the PRC  |
| “Listing Rules”        | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “New Energy Project”   | the development project intended to be undertaken by the Project Company   |
| “PRC”                  | the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)  |
| “Project Company”      | the project company to be set up by (i) the Company (or its wholly-owned subsidiary), (ii) Jiangsu NewHeadLine and (iii) Lian YunGang Tian Yang in LETDZ to undertake the promotion and development of the New Energy Project pursuant to the Agreements |
| “SGM”                  | the special general meeting of the Company to be convened and held to consider and, if thought fit, approve the Transaction  |
| “Share(s)”             | Share(s) of HK\$0.10 each in the Company   |
| “Shareholder(s)”       | holder(s) of the Shares  |
| “Stock Exchange”       | The Stock Exchange of Hong Kong Limited  |
| “Transaction”          | the proposed establishment of the Project Company pursuant to the Agreements   |

|        |  |
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| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong                        |
| “US\$” | United States dollars, the lawful currency of the United States of America |
| “%”    | per cent.  |

*Unless otherwise stated:*

- (1) *the conversion of US\$ into HK\$ are based on the exchange rate of US\$1.00 = HK\$7.80. No presentation is made that any amounts in US\$ and HK\$ have been or could be converted at the relevant dates at the above rate or any other rates or at all.*
- (2) *the conversion of RMB into HK\$ are based on the exchange rate of RMB1.00 = HK\$1.2444. No presentation is made that any amounts in RMB and HK\$ have been or could be converted at the relevant dates at the above rate or any other rates or at all.*

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

Hong Kong, 27 November 2012

*As at the date of this announcement, the Board comprises eleven executive directors, namely Dr Yeung Yung (Chairman), Dr Huang Chunhua (Deputy Chairman), Dr Jang Bor Zeng Bohr (Deputy Chairman), Dr Wang Chuantao (Chief Executive Officer), Mr Liu Stephen Quan, Mr Hui Wing Sang, Wilson, Dr Zhamu Aruna, Dr Zhu Shengliang, Dr Zhang Zhenwei, Mr Xu Jianguo and Mr Li Zhengshan, two non-executive directors, namely Dr Xia Tingkang, Tim and Dr Zhu Guobin and three independent non-executive directors, namely Mr Wong Lee Hing, Dr Song Jian and Mr Cheng Tat Wa.*

\* *For identification purpose only*