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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)

AGREEMENT FOR THE PROVISION OF INVESTOR RELATIONS AND CONSULTANCY SERVICES AND GRANT OF CONSULTANT OPTIONS UNDER THE SHARE OPTION SCHEME

SUMMARY

On 29 November 2016 (after trading hours), the Company entered into the Investor Relations Agreement with the Consultant pursuant to which the Company has agreed to engage the Consultant to provide investor relations and consultancy services to the Company upon the terms contained in the Investor Relations Agreement.

In consideration of the Consultant agreeing to provide to the Company the investor relations and consultancy services as stipulated in the Investor Relations Agreement, the Company has agreed to grant to the Consultant (being an eligible participant under the Share Option Scheme) the Consultant Options pursuant to the Share Option Scheme, subject to acceptance of the Consultant.

The Consultant Options are valid for and (subject to certain conditions being met) exercisable by the Consultant during a three-year period (or until the termination of the Investor Relations Agreement, whichever is the earlier) and will entitle the Consultant to subscribe for (if exercised in full) an aggregate of 200,000,000 Consultant Shares at the Exercise Price of HK\$0.24 each.

The 200,000,000 Consultant Shares represent approximately (i) 0.98% of the existing issued share capital of the Company as at the date of this announcement; and (ii) 0.97% of the issued share capital of the Company as enlarged by the issue of the Consultant Shares.

INVESTOR RELATIONS AGREEMENT

Date

29 November 2016

Parties involved

- (1) the Company; and
- (2) the Consultant (namely Zhixin Investor Relations Consultant Limited (智信財經公關顧問有限公司))

The Consultant is incorporated under the laws of Hong Kong and principally engaged in the provision of investor relations and consultancy services. Save as the Investor Relations Agreement, the Company has no other business dealings, arrangements and/or transactions with the Consultant.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries:

- (i) the Consultant and its ultimate beneficial owner(s) are Independent Third Parties;

- (ii) the Consultant is not in possession of information regarding any potential deals or other information about the Group which might crystallize over the Consultant Option Period and be discloseable by the Company pursuant to the Inside Information Provisions under Part XIVA of the SFO and/or the Listing Rules and/or other applicable legal or regulatory requirements applicable to the Group; and
- (iii) save as the Consultant Options proposed to be granted by the Company, the Consultant does not have any interests in Shares (within the meaning of Part XV of the SFO) as at the date of this announcement.

Term

Three years from 29 November 2016 (being the date of the Investor Relations Agreement).

Principal scope of the Services

The Consultant will act as the Company's investor relations consultant and its principal scope of Services under the Investor Relations Agreement is set out below:

- establishing and devising investor relations strategies in the PRC for the Company;
- establishing and updating of the PRC investors database;
- developing and maintaining communication and relations between the Company and financial media in the PRC, including (among other things) preparation and arrangement of press release, activities and meetings with financial media to enhance the Group's visibility, promote corporate image and establish long-term investor and public relations, responding to enquiries from investors and media, crisis management, following up on and/or making recommendation to the Company of the appropriate actions to handle news and other media coverage in relation to the Group;
- assisting the Company in coordinating and/or organizing the release of financial results, shareholders' and other meetings and preparing the required promotional and other materials for use or distribution by the Company; and
- providing incidental consultancy and other investor relations related services.

The Consultant acknowledges that the Company is a company whose Shares are listed on the Main Board of the Stock Exchange and the Company is required to comply with the Listing Rules, the SFO and other regulatory laws, rules and regulations applicable to the Company and the requirements from regulatory authorities (including the Stock Exchange and the Securities and Futures Commission) from time to time. The Consultant undertakes to the Company that, in the provision of the Services under the Investor Relations Agreement, the Consultant will ensure that it will not act in contravention of or cause any laws, rules and/or regulations applicable to the Company to be violated.

Consideration and grant of Consultant Options under the Share Option Scheme

In consideration of the Consultant agreeing to provide to the Company the investor relations and consultancy services as stipulated in the Investor Relations Agreement, the Company has agreed to grant to the Consultant (being an eligible participant under the Share Option Scheme) the Consultant Options (which will, upon exercise in full, entitle the Consultant to subscribe for an aggregate of 200,000,000 Consultant Shares) pursuant to the Share Option Scheme, subject to acceptance of the Consultant.

The 200,000,000 Consultant Shares represent approximately (i) 0.98% of the existing issued share capital of the Company as at the date of this announcement; and (ii) 0.97% of the issued share capital of the Company as enlarged by the issue of the Consultant Shares.

A summary of the grant of the Consultant Options by the Company to the Consultant is set out below:

Date of grant : 29 November 2016

Exercise Price of the Consultant : HK\$0.24 per Consultant Share

Options granted

The Exercise Price was negotiated on an arm's length basis between the Company and the Consultant and was determined with reference to the recent market price and the trading volume of the Shares, the duration of the exercise period of the Consultant Options and the Services to be provided by the Consultant under the Investor Relations Agreement.

Total number of underlying Shares involved	:	200,000,000 (being the total number of Consultant Shares which may fall to be allotted and issued upon exercise in full of the Consultant Options)
Closing price of the Shares on the date of grant	:	HK\$0.195
Validity period of the Consultant Options	:	Three years commencing from 29 November 2016 to 28 November 2019 (both days inclusive).

The number of Consultant Options granted are exercisable in the manner as set out below:

- up to 50% of the total number of Consultant Options (that is, 100,000,000 Consultant Options) will become exercisable, if at any time during the Consultant Option Period, the market capitalization of the Company reaches HK\$6,000,000,000 or above;
- the remaining 50% (that is, 100,000,000 Consultant Options) of the total number of Consultant Options will become exercisable, if at any time during the Consultant Option Period, the market capitalization of the Company reaches HK\$8,000,000,000 or above.

All outstanding or unexercised Consultant Options granted to the Consultant shall lapse on 28 November 2019 or the date of termination of the Investor Relations Agreement, whichever is the earlier.

Transferability : The Consultant may nominate any party to take up the Consultant Option(s) or assign any Consultant Option(s) to any party other than a connected person of the Company. In such event, prior approval in writing from the Company must be obtained.

Others : The Consultant shall hold the Consultant Options subject to the terms of the Offer Letter and the Investor Relations Agreement.

If the Consultant is adjudged to be in breach of any term or provision contained in the Offer Letter or the Investor Relations Agreement or the grant of the Consultant Options is being objected to by the Hong Kong regulatory authorities for any reason, the Consultant Options (to the extent not already exercised) shall lapse automatically and not be exercisable.

Termination

In the event that the Consultant is adjudged to be in breach of the Investor Relations Agreement or to have committed any default or misconduct on the part of the Consultant, the Company shall be entitled to terminate the Investor Relations Agreement at any time and such termination shall not affect the Company's rights or claims against the Consultant.

REASONS FOR ENTERING INTO OF THE INVESTOR RELATIONS AGREEMENT

The Directors consider that it is commercially beneficial for the Company to engage the services of the Consultant to promote investors and public relations of the Company in the PRC through organized and effective communication with its shareholders, potential investors, and media in the PRC with a view to increasing their understanding of the Group and its business operation and development and enhancing the Group's transparency and corporate image.

In view of the above, the Directors consider that the terms (including the consideration payable in the form of the grant of the Consultant Options exercisable at the Exercise Price during the Consultant Option Period) of the Investor Relations Agreement to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

EFFECT ON SHAREHOLDING

Assuming the Consultant Options were exercised in full resulting in an aggregate of 200,000,000 Consultant Shares being allotted and issued by the Company and that there was no change in the shareholding structure of the Company as at the date of this announcement to immediately before the allotment and issue of the Consultant Shares, the effect on the shareholding structure of the Company is as follows:

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Consultant Shares upon exercise in full of the Consultant Options by the Consultant (Note 4)	
	Number of Shares	%	Number of Shares	%
Sun East LLC	2,673,071,189 (Note 1)	13.14	2,673,071,189 (Note 1)	13.02
Yeung Yung	68,140,000 (Note 1)	0.34	68,140,000 (Note 1)	0.33
<i>Sub-total:</i>	<i>2,741,211,189</i>	<i>13.48</i>	<i>2,741,211,189</i>	<i>13.35</i>
Other Directors				
Xu Jianguo	30,000,000	0.15	30,000,000	0.10
Hui Wing Sang, Wilson	2,904,000	0.01	2,904,000	0.01
Huang Chunhua	65,000,000	0.32	65,000,000	0.32
Wang Chuantao	30,000,000	0.15	30,000,000	0.15
Liu Stephen Quan	291,760,000 (Note 2)	1.43	291,760,000 (Note 2)	1.42
Zhu Shengliang	22,043,883	0.11	22,043,883	0.11
Li Zhengshan	26,270,000	0.13	26,270,000	0.13
Ting Kwok Kit, Johnny	3,000,000	0.01	3,000,000	0.01
Chen Xiao	25,000,000	0.12	25,000,000	0.12
Cheng Tat Wa	1,300,000	0.006	1,300,000	0.006
Chan Sin Hang	500,000	0.002	500,000	0.002
<i>(A) Sub-total of non-public Shareholders:</i>	<i>3,238,989,072</i>	<i>15.93</i>	<i>3,238,989,072</i>	<i>15.78</i>
Public Shareholders (including the Consultant)				
Consultant (Note 3)	–	–	200,000,000	0.97
Other public Shareholders	17,098,883,675	84.07	17,098,883,675	83.25
<i>(B) Sub-total of public Shareholders:</i>	<i>17,098,883,675</i>	<i>84.07</i>	<i>17,298,883,675</i>	<i>84.22</i>
TOTAL (A) + (B)	20,337,872,747	100	20,537,872,747	100

Notes:

- (1) Sun East LLC is a limited liability company incorporated in California, the US, which is owned as to (i) 35% by Dr Yeung Yung (shared commonly with his spouse under the laws of California, the US) and (ii) 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) is deemed to be interested in the 2,673,071,189 Shares held by Sun East LLC by virtue of Part XV of the SFO. Dr Yeung Yung’s spouse is also deemed to be interested in the 68,140,000 Shares personally and beneficially held by Dr Yeung Yung. Dr Yeung Yung is an executive Director.
- (2) Out of the 291,760,000 Shares, 281,760,000 Shares are indirectly owned by certain private trusts of which Mr Liu Stephen Quan were the founder. The children of Mr Liu were eligible beneficiaries of the trusts. Mr Liu is deemed to be interested in these 281,760,000 Shares by virtue of Part XV of the SFO. The remaining 10,000,000 Shares are held personally by Mr Liu Stephen Quan. Mr Liu Stephen Quan is an executive Director.
- (3) To the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, the Consultant and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.
- (4) The Consultant Options, if exercised in full, would involve the allotment and issue of an aggregate of 200,000,000 Shares.

INFORMATION ON THE COMPANY

The Company is an investment holding company. The Group is principally engaged in the environmental automobile and related business.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Board”	the board of Directors
“Company”	Hybrid Kinetic Group Limited (正道集團有限公司), an exempted company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consultant”	Zhixin Investor Relations Consultant Limited (智信財經公關顧問有限公司), a company incorporated under the laws of Hong Kong and the investors relations consultant under the Investor Relations Agreement
“Consultant Options”	the share options proposed to be granted by the Company under the Share Option Scheme to the Consultant (subject to acceptance by the Consultant) in consideration of the Consultant agreeing to provide the Services to the Company pursuant to the terms of the Investor Relations Agreement
“Consultant Option Period”	Three years commencing from 29 November 2016 and expiring on 28 November 2019 (both days inclusive) or the date of termination of the Investor Relations Agreement, whichever is the earlier
“Consultant Shares”	the Shares which may fall to be allotted and issued upon exercise in full of the Consultant Options granted by the Company to the Consultant pursuant to the terms of the Investor Relations Agreement
“Director(s)”	the director(s) of the Company
“Exercise Price”	the exercise price of the Consultant Options (which is, HK\$0.24 per Consultant Share)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a party(ies) who is/are independent of, and is/are not connected with, the Company, its subsidiaries and/or their respective connected persons

“Investor Relations Agreement”	the agreement dated 29 November 2016 entered into between the Company and the Consultant regarding the provision of investor relations and consultancy services by the Consultant to the Company upon the terms contained therein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer Letter”	the offer letter issued by the Company to the Consultant in respect of the Consultant Options pursuant to the Share Option Scheme and the terms of the Investor Relations Agreement
“PRC”	The People’s Republic of China, excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Services”	the services agreed to be rendered by the Consultant to the Company under the Investor Relations Agreement (the principal scope of which is briefly summarised in the sub-paragraph headed “Principal scope of the Services” under the paragraph headed “Investor Relations Agreement” of this announcement)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 13 June 2013 and currently in force
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent.

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

Hong Kong, 29 November 2016

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 Ting kang, 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.