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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)

MEMORANDUM OF UNDERSTANDING IN RELATION TO A POSSIBLE ACQUISITION

MEMORANDUM OF UNDERSTANDING

The Board is pleased to announce that on 23 March 2022 (after trading hours), the Company entered into the MOU with the Target Company, pursuant to which the Company intends to acquire no less than 51% of the equity interest of the Target Company.

The Possible Acquisition is subject to further negotiation and execution of the Formal Agreement which may or may not occur. In addition, the Possible Acquisition will be subject to certain conditions precedent which may not be able to be fulfilled or waived. As the Possible Acquisition may or may not materialise, Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

MEMORANDUM OF UNDERSTANDING

The Board is pleased to announce that on 23 March 2022 (after trading hours), the Company entered into the MOU with the Target Company, pursuant to which the Company intends to acquire or subscribe no less than 51% of the equity interest of the Target Company.

Major terms of the MOU

Date

23 March 2022

Parties

Purchaser: The Company

Target Company: Hebei Zhongxing Automobile Co., Ltd.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Target Company and the Vendors are third parties independent of the Company and connected persons (has the meaning ascribed to it under the Listing Rules) of the Company.

Assets to be acquired

Pursuant to the MOU, the Company intends to acquire the Sales Equity from the Vendors, which represents not less than 51% of the equity interests in the Target Company or the entire equity interest of the Target Company, subject to further arms-length negotiation and the due diligence results.

Consideration

The Consideration for the Sale Equity shall be payable by the Company in cash or by allotting and issuing new Shares to the Vendors, or issuing convertible securities or a combination of any of the above which will be further determined by the parties in the Formal Agreement.

The Consideration for the Sale Equity shall be determined based on the due diligence results, which will be further determined by the parties in the Formal Agreement. The valuation of the Sale Equity shall be assessed using asset approach and with reference to the valuation of comparable companies, which will be further determined after consulting professional advisers and valuers to be engaged by the Company and the Target Company.

The Company and the Target Company shall negotiate the valuation of the Target Company within 90 days of the date of the MOU.

Due diligence review

The Company will commence the due diligence review of the Target Company, and the Target Company will commence the due diligence review of the Company, within 10 calendar days of the date of the MOU.

Exclusivity Period

Pursuant to the MOU, the Company and the Target Company will not, directly or indirectly for a period of 180 days commencing from the date of the MOU, negotiate or enter into any agreements with parties other than the parties to the MOU in respect to the Possible Acquisition.

Formal Agreement

The Company and the Target Company shall negotiate in good faith to procure that the Formal Agreement be entered into before the date falling 180 days from the date of the MOU (or such later date to be agreed by the Target Company).

Conditions precedent

It is intended that the Possible Acquisition will be conditional upon the fulfillment of the following conditions precedent:

- (i) the Company being satisfied with the results of the due diligence review on the Target Company to be conducted by the Company, and during the period from the date of the MOU and the entering of the Formal Agreement, there being no material adverse change in the business operation, assets and interest of the Target Company;
- (ii) the Target Company being satisfied with the results of the due diligence review on the Company to be conducted by the Target Company, and during the period from the date of the MOU and the entering of the Formal Agreement, there being no material adverse change in the business operation, assets and interest of the Company;

- (iii) the Company and the Target Company being satisfied with the finalised terms of the Possible Acquisition, if any, which shall be further determined in the Formal Agreement;
- (iv) all necessary consents, authorisations and approvals required for giving effect to the Possible Acquisition having been obtained from the authorities;
- (v) the Shares being delisted from the Stock Exchange and there being no material adverse changes on the Company as compared to the date of the MOU, and there being no changes in the production capabilities of the Target Company; and
- (vi) any conditions precedent that may be required for the implementation of the Possible Acquisition, which shall be further determined in the Formal Agreement.

INFORMATION ON THE TARGET COMPANY

The Target Company is a sino-foreign joint venture company with limited liability incorporated in the PRC in 1991 with a registered capital of USD29.96 million. The Target Company is principally engaged in the manufacturing, research and development, design, servicing and sales of automobiles, auto parts and components and related after-sales service. The Target Company is recognised as a High and New Technology Enterprise and its predecessor was responsible for developing the first Chinese pick-up trucks in 1976 and first Chinese SUV in 1986.

As at the date of this announcement, the Target Company is owned by the Vendors as to approximately 52.69% by 河北中興田野客車有限公司, 33.31% by 聯合領導控股有限公司, 10.00% by 深圳市東方常青藤投資企業(有限合夥) and 4.00% by 深圳市盛邦惠民投資管理有限公司.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Target Company and the Vendors are third parties independent of the Company and connected persons (has the meaning ascribed to it under the Listing Rules) of the Company.

REASONS FOR THE ENTERING OF THE MOU

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

As disclosed in the announcements of the Company dated 30 June, 30 September and 31 December 2021, the Company has continued seeking potential opportunities for strategic investment, corporation and/or collaboration with renowned organisations with a view of exploring ways to strengthen the Group's supply chains, enhance its production capacity and operational flexibility and widen its expertise in such areas which are considered to be beneficial to the sustainable development, expansion and diversification of the Group's business.

Given (i) the Target Company possesses the production capabilities with a wide range of product portfolio of SUVs and pick-up trucks; and (ii) the battery technology possessed by the Company may provide a competitive edge for any electric vehicles to be produced, the Company considers the synergy effect arising from the Possible Acquisition will certainly enhance the competitiveness and profitability of the Group. Leveraging on the funding capability of the Company, the Company may provide further funding to the Target Company to expand its business.

In view of the above, the Board is of the view that the terms of the MOU are fair and reasonable and the Possible Acquisition contemplated thereunder are in the interests of the Company and its shareholders as a whole.

GENERAL

The Possible Acquisition, if materialised, may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. Further announcement(s) will be made by the Company in compliance with the Listing Rules as and when appropriate.

The Possible Acquisition is subject to further negotiation and execution of the Formal Agreement which may or may not occur. In addition, the Possible Acquisition will be subject to certain conditions precedent which may not be able to be fulfilled or waived. As the Possible Acquisition may or may not materialise, Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the terms used herein shall 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
“Completion”	the completion of the Possible Acquisition
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Formal Agreement”	the formal sale and purchase agreement which may or may not be entered into in relation to the Possible Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“MOU”	the memorandum of understanding dated 23 March 2022 entered into between the Company and the Target Company setting out the preliminary understanding in relation to the Possible Acquisition
“Possible Acquisition”	the possible acquisition by the Company from the Vendors of the Sale Equity as contemplated under the MOU
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	not less than 51% of the equity interests in the Target Company or the entire equity interest of the Target Company
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hebei Zhongxing Automobile Co., Ltd. (河北中興汽車製造有限公司), a sino-foreign joint venture company with limited liability incorporated in the PRC in 1991
“USD”	United States dollars, the lawful currency of United States of America

“Vendors” shareholders of the Target Company, being 河北中興田野客車有限公司, 聯合領導控股有限公司, 深圳市東方常青藤投資企業(有限合夥) and 深圳市盛邦惠民投資管理有限公司 as at the date of this announcement

“%” per cent.

By order of the Board
HYBRID KINETIC GROUP LIMITED
Yeung Yung
Chairman

Hong Kong, 24 March 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.