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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 IN RELATION TO
ACQUISITION OF 51% EQUITY INTEREST OF
THE TARGET COMPANY INVOLVING
THE ISSUE OF CONVERTIBLE NOTE
UNDER GENERAL MANDATE**

Financial Adviser



Asia Pacific Financial Capital Limited

THE ACQUISITION

The Board is pleased to announce that on 17 April 2025 (after trading hours), the Purchaser and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares at the Consideration of HK\$51,000,000, which will be satisfied by the issue of the Convertible Note under the General Mandate upon Completion.

Upon Completion, the Company will be beneficially interested in 51% equity interest of the Target Company and the Target Company will become a non-wholly owned subsidiary of the Company and accordingly, the financial results of the Target Company will be consolidated into the accounts of the Company.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Completion is subject to fulfilment (or waiver, if applicable) of certain conditions precedent set out in the Agreement, the Acquisition may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 17 April 2025 (after trading hours), the Purchaser and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares at the Consideration of HK\$51,000,000, which will be satisfied by the issue of the Convertible Note under the General Mandate upon Completion.

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date

17 April 2025 (after trading hours)

Parties

(i) the Purchaser; and

(ii) the Vendor

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 51% equity interest of the Target Company.

Upon Completion, the Company will be beneficially interested in 51% equity interest of the Target Company and the Target Company will become a non-wholly owned subsidiary of the Company and accordingly, the financial results of the Target Company will be consolidated into the accounts of the Company.

Consideration

The Consideration payable by the Purchaser to the Vendor for the sale and purchase of the Sale Shares shall be HK\$51,000,000.

The Consideration shall be paid and settled in full by the Purchaser by issuing the Convertible Note at the Conversion Price (subject to adjustment) to the Vendor (or its nominee(s)) upon Completion subject to the terms and conditions set out in the Agreement.

The Consideration was arrived at arm's length negotiations between the Vendor and the Purchaser on normal commercial terms.

Profit Guarantee

The Vendor guarantees to the Purchaser that the net profit after tax of the Target Company as stated in the Target Company's audited accounts for the Profit Guaranteed Period shall not be less than HK\$20,000,000 (the "**Guaranteed Net Profit**").

If the profit as stated in the Target Company's audited accounts for the Profit Guaranteed Period shall be less the Guaranteed Net Profit giving rise to a shortfall ("**Sum A**"), unless otherwise waived by the approval by the Board, the Vendor shall pay to the Purchaser a sum ("**Sum B**") calculated in accordance with the following:

$$\text{Sum B} = \text{Sum A} \times 2.0$$

Sum B shall be paid and settled in cash to the Purchaser's designated bank account within fourteen (14) Business Days of date of issuance of the Target Company's audited accounts.

If the actual net profit after tax as stated in the Target Company's audited accounts for the Profit Guaranteed Period shall be zero or is in the negative for the Profit Guaranteed Period in question, the Vendor shall pay to the Purchaser a sum equal to the Consideration, being HK\$51,000,000 (unless otherwise waived by the approval by the Board), which shall be paid and settled in cash to the Purchaser's designated bank account within fourteen (14) Business Days of date of issuance of the Target Company's audited accounts.

Pursuant to the Agreement, in the event that the Target Company fails to achieve the Net Profit Guarantee due to any of the following reasons, the Vendor shall have the right to apply for an exemption from all or part of the compensation liability, subject to the approval by the board of directors of the Purchaser:

- force majeure events (including but not limited to natural disasters, wars, government actions, etc.);
- significant changes in industry policies or market environment leading to substantial fluctuations in the Target Company's revenue or costs;

- the net profit after tax of the Target Company as stated in the Target Company’s audited accounts for the Profit Guaranteed Period reaches more than 90% of the Guaranteed Net Profit.

Under the above circumstances for exemption, within thirty (30) days after the conclusion of the Profit Guaranteed Period, the Vendor shall submit an application for exemption along with supporting documentation to the Purchaser. Upon receipt of such application for exemption, the Purchaser shall negotiate with the Vendor to determine the exemption plan within fifteen (15) days. The exemption plan shall become effective upon written confirmation by both parties to the Agreement after approval by the board of directors of the Purchaser. If full compensation liability is exempted, the Vendor shall not be required to pay any compensation to the Purchaser. If only partial compensation liability is exempted, both parties thereto shall agree on the methodology for calculating the remaining compensation amount.

THE CONVERTIBLE NOTE

Set out below are the principal terms of the Convertible Note:

Issuer:	The Company
Principal amount:	HK\$51,000,000
Interest:	The Convertible Note shall not bear any interest
Maturity date:	The date falling on the third anniversary from the issue date of the Convertible Note

Conversion rights: Provided that (i) any conversion of the Convertible Note does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Noteholder(s) which exercised the Conversion Rights; and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at any one time in compliance with the Listing Rules, the Noteholder(s) shall have the right to convert on any Business Day during the conversion period the whole or any part(s) of the outstanding principal amount of the Convertible Note into the Conversion Shares at the Conversion Price (subject to adjustments)

Conversion period: The period commencing from 12 months from the issue date of the Convertible Note and ending on the Maturity Date (both dates inclusive), unless otherwise waived and/or amended upon approval by the Board

Conversion Price: The initial Conversion Price is HK\$0.01253 per Conversion Share, subject to adjustments in the event of, among others, share consolidation or subdivision, capitalization of profits or reserves, capital distribution, rights issue or open offer and such other customary events which an independent financial adviser or the auditor of the Company certifies to warrant an adjustment.

The initial Conversion Price of HK\$0.01253 represents:

- (i) a premium of approximately 4.4% to the closing price of HK\$0.012 per Share as quoted on the Stock Exchange on the Last Trading Day; and

- (ii) a discount of approximately 11.8% to the average closing price of HK\$0.0142 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day.

The Conversion Price was determined after arm's length negotiations between the Company and the Vendor, taking into account the recent closing price of the Shares, as well as the business development and the financial position of the Group. The Directors consider that the initial Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conversion Shares:

Assuming full conversion of the Convertible Note at the initial Conversion Price, a total of 4,070,231,444 Conversion Shares will be allotted and issued, which represent approximately 20.0% of the total number of Shares in issue as at the date of this announcement; and approximately 16.7% of the total number of issued Shares as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Note, assuming that there will be no changes in the issued share capital of the Company from the date of this announcement up to the date of issue of the Conversion Shares upon full conversion of the Convertible Note.

The Conversion Shares have an aggregate nominal value of HK\$407,023,144.40 and a market value of HK\$48,842,777.328 based on the closing price of HK\$0.012 per Share on the Last Trading Day.

The Conversion Shares will be issued under the General Mandate. An application will be made by the Company to the Stock Exchange for the approval of the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

The Conversion Shares shall rank pari passu in all respects with all other issued Shares as at the date of allotment of such Conversion Shares and be entitled to all dividends and other distributions, the record of which falls on a date on or after the date of allotment of such Conversion Shares.

Transferability: Subject to the prior written consent of the Company, the Convertible Note is freely transferrable.

Application of Listing

No application will be made for the approval of listing of the Convertible Note on the Stock Exchange or any other stock exchange.

An application will be made by the Company to the Stock Exchange for the approval of the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon conversion of the Convertible Note.

Conditions Precedent

Completion is conditional upon, among others:

- (a) the Purchaser is satisfied with the Due Diligence Review, the Legal Opinion and the Valuation Report on the Target Company;
- (b) the Stock Exchange having granted the approval for the listing of, and permission to deal in the Conversion Shares;

- (c) no indication from the Stock Exchange having been received to the effect that the listing of Shares will or may be withdrawn or objected to for any reason attributable to the transactions contemplated under the Agreement or Completion;
- (d) there having been no material breach of any of the warranties by the Vendor;
- (e) all necessary consents, approvals, authorisations and licenses in relation to the transactions contemplated under the Agreement (including the change of control of the Target Company and the issuance of the Convertible Note and the Conversion Shares thereunder) having been obtained; and
- (f) the Vendor shall have all requisite power, authority and capacity to sell the Sale Shares.

The Purchaser may waive any of the above conditions precedent in conditions precedent (a), (d), (e) and (f) above by giving notice in writing to the Vendor.

The Vendor and the Purchaser shall use (to the extent they are able) their respective best endeavours to procure the fulfilment of the conditions set out in conditions precedent (a) to (f) on or before the Long Stop Date or such other date as the Vendor and the Purchaser may agree in writing. If any of the conditions precedent in conditions precedent (a) to (f) shall not have been fulfilled (or waived, where applicable) in all respects prior to the Long Stop Date, the Agreement shall be terminated automatically and of no further effect and all liabilities and obligations of the parties to the Agreement shall cease and determine provided that such termination shall be without prejudice to any rights or remedies of the parties to the Agreement which shall have accrued prior to such termination.

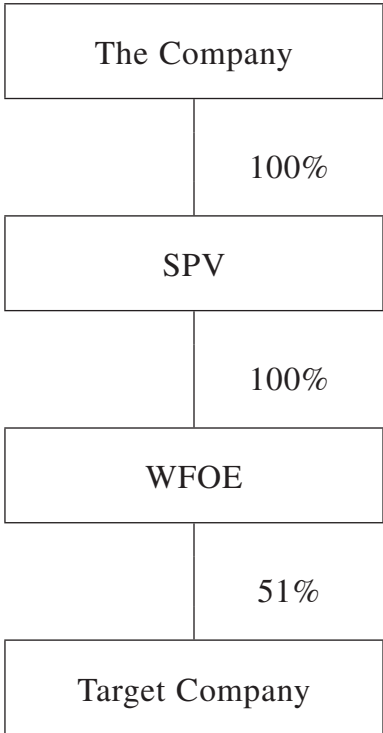
If at any time either the Vendor or the Purchaser becomes aware of any fact or circumstance that might prevent any conditions precedent set out above from being satisfied, it shall inform the other party as soon as reasonably practicable.

Completion

The Completion shall take place within ten (10) Business Days after all the conditions as specified in the Agreement have been fulfilled (or waived, where applicable) at the office of the Purchaser (or at such other time or place as the parties to the Agreement may agree).

Upon Completion, the Target Company shall have completed the relevant industry and commerce reporting and registration procedures at the administration of market regulation in relation to the Acquisition whereas the WOFE shall have registered as the shareholder of the 51% equity interest of the Target Company and the Company will be beneficially interested in 51% of the equity interest of the Target Company through the SPV and the WOFE. Accordingly, the Target Company will become a non-wholly owned subsidiary of the Company upon Completion.

The following chart shows the shareholding structure of the Target Company immediately upon Completion:



INFORMATION OF THE PARTIES

Information of the Purchaser

The Purchaser is incorporated in Bermuda with limited liability, of which the Shares are listed on the Main Board of the Stock Exchange.

Information of the Vendor

The Vendor is a company incorporated in the PRC with limited liability and its principal business is engaged in film and television media business.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Vendor is ultimately beneficially owned as to (i) 60% by Ms. Lan and (ii) 40% by Mr. Hu.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC on 3 January 2024 with limited liability. As at the date of this announcement, the Target Company is owned as to (i) 90% by the Vendor and (ii) 10% by an Independent Third Party.

The Target Company is principally engaged in film and television media business. As at the date of this announcement, the Target Company has no subsidiary.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has been actively exploring other business opportunities to enhance its future development and strengthen revenue bases of the Group so as to enhance value to the Shareholders.

The Target Company is principally engaged in film and television media business in China providing film production services and artistic creation. It possesses the necessary qualifications and the permit granted by the National Radio and Television Administration (國家廣播電視總局) on 25 October 2024 for the production and distribution of broadcasting and television programs.

In addition to the above factors, the Directors have full confidence in the in-vehicle audio-visual and short drama businesses both in China and overseas.

Taking into account that (i) the settlement of the Consideration by way of issuing the Convertible Note does not cause or create any immediate cash outlay for the Group; (ii) the profit guarantee provided by the Vendor; (iii) there is no immediate dilution effect to the existing Shareholders; and (iv) the reasons above, the Directors (including the independent non-executive Director) are of the view that the terms of the Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, there are 20,352,872,747 Shares in issue. The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon the full exercise of the Conversion Rights attaching to the Convertible Note, assuming there will be no change in the total number of Shares in issue (other than the issue of the Conversion Shares) from the date of this announcement up to the date of issue of the Conversion Shares for illustrative purpose:

Shareholders	As at the date of this announcement		Immediately upon the full exercise of the Conversion Rights attaching to the Convertible Note	
	Number of Shares	Approx. % (Note 4)	Number of Shares	Approx. % (Note 4)
Substantial Shareholders and/or Directors (including former Directors in the past 12-month)				
– Dr. Yeung Yung (former executive Director) and his associates (Note 1)	2,741,211,189	13.5	2,741,211,189	11.2
– Mr. Liu Stephen Quan (former executive Director) and his associates (Note 2)	279,760,000	1.4	279,760,000	1.1
– Mr. Chen Xiao (former executive Director) (Note 3)	25,000,000	0.1	25,000,000	0.1
The Vendor	–	–	4,070,231,444	16.7
Other public Shareholders	<u>17,306,901,558</u>	<u>85.0</u>	<u>17,306,901,558</u>	<u>70.9</u>
Total	<u><u>20,352,872,747</u></u>	<u><u>100.0</u></u>	<u><u>24,423,104,191</u></u>	<u><u>100.0</u></u>

Notes:

1. As at the date of this announcement, Dr. Yeung Yung (a former executive Director resigned with effect from 24 March 2025) and his associates are interested in a total of 2,741,211,189 Shares comprising: (i) 68,140,000 Shares personally held by Dr Yeung Yung; and (ii) 2,673,071,189 Shares held by Sun East LLC, being a company 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.
2. As at the date of this announcement, Mr. Liu Stephen Quan (a former executive Director resigned with effect from 19 March 2025) and his associates are interested in a total of 279,760,000 Shares comprising: (i) 10,000,000 Shares personally held by Mr. Liu Stephan Quan; and (i) 269,760,000 Shares indirectly owned by certain trusts of which Mr. Liu Stephen Quan were the founder whereas the children of Mr. Liu were eligible beneficiaries of the trusts. Mr. Liu was deemed to be interested in these Shares by virtue of Part XV of the SFO.
3. Mr. Chen Xiao, a former executive Director, resigned with effect from 24 March 2025.
4. The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

GENERAL MANDATE

The Conversion Shares will be allotted and issued under the General Mandate pursuant to which the Directors are authorised to allot, issue and deal with up to 4,070,574,549 Shares. As at the date of this announcement, no Shares have been issued under the General Mandate.

Assuming full conversion of the Convertible Note at the initial Conversion Price, the Conversion Shares will utilise a maximum of 4,070,231,444 Shares under the General Mandate. Accordingly, the General Mandate is sufficient for the allotment and issue of the Conversion Shares which is not subject to any additional Shareholders' approval.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares pursuant to the terms and conditions of the Agreement
“Agreement”	the conditional sale and purchase agreement dated 17 April 2025 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Board”	the board of Directors of the Company
“Business Day(s)”	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong, or “extreme conditions” are announced by the Hong Kong Government at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are generally open for banking business in Hong Kong
“Company” or “Purchaser”	Hybrid Kinetic Group Limited (Stock Code: 1188), a company incorporated in Bermuda with limited liability, of which the Shares are listed on the Main Board of the Stock Exchange

“Completion”	the completion of the Agreement
“Completion Date”	the date on which Completion take place in accordance with the Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	HK\$51,000,000, being the total consideration for the Acquisition which shall be satisfied by issue of the Convertible Note under the General Mandate
“Conversion Price”	the initial conversion price of HK\$0.01253 per Conversion Share
“Conversion Rights”	the rights attached to the Convertible Note to convert the whole or any part(s) of the principal amount into the Conversion Shares
“Conversion Shares”	the 4,070,231,444 new Shares which may fall to be allotted and issued to the Vendor at the initial Conversion Price (subject to adjustment), credited as fully paid, upon full exercise of the Conversion Rights by the Vendor, for the purpose of settling of the Consideration
“Convertible Note”	the interest free coupon convertible note to be issued by the Company to the Vendor upon Completion pursuant to the terms and conditions of the Agreement, for the purpose of settling the Consideration
“Director(s)”	the director(s) of the Company

“Due Diligence Review”	the due diligence review and investigation being conducted by the Purchaser or its representatives as part of the conditions precedent of the Agreement
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 6 June 2024 to issue, allot and deal with up to 20% of the then issued share capital of the Company, i.e. 4,070,574,549 Shares
“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)”	third party(ies) independent of the Company and its connected persons in accordance with the Listing Rules
“Last Trading Day”	31 March 2025, being the last trading day immediately preceding the date of this announcement
“Legal Opinion”	the legal opinion to be obtained by the Purchaser as part of the conditions precedent of the Agreement, in the form and substance satisfactory to the Purchaser by a practising lawyer in the PRC appointed by the Purchaser opining on, inter alia, the due incorporation, valid and continued existence of the Target Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	Ninety (90) days after the date of the Agreement or any other date as the parties may agree in writing

“Maturity Date”	The date falling on the third anniversary from the issue date of the Convertible Note
“Ms. Lan”	Ms. Lan Zhihua (蘭枝華), an Independent Third Party, who is a Chinese citizen and has extensive investment experience
“Mr. Hu”	Mr. Hu Junyu (胡俊宇), an Independent Third Party, who is a Chinese citizen and has extensive investment experience
“Noteholder(s)”	the registered holder(s) of the Convertible Note
“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, Macau and Taiwan
“Profit Guaranteed Period”	the one (1) full financial year ending on 31 December 2026
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	51% equity interest in the Target Company as at the date of the announcement
“Share(s)”	the ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	Holder(s) of the Shares
“SPV”	the special purpose vehicle to be established which shall be wholly owned by the Purchaser, for the purpose of holding the shares of the WOFE
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Valuation Report”	the valuation report to be obtained by the Purchaser as part of the conditions precedent of the Agreement, in the form and substance satisfactory to the Purchaser from a firm of professional valuers appointed by the Purchaser showing the valuation of the Target Company
“Vendor”	桃李杯資訊諮詢(深圳)有限公司, a company incorporated in the PRC with limited liability
“WFOE”	a wholly foreign-owned enterprise to be established in the PRC and shall be wholly owned by the SPV, for the purpose of holding the Sale Shares
“%”	per cent.

By Order of the Board
Hybrid Kinetic Group Limited
Shan Chuanlong
Chairman and Executive Director

Hong Kong, 17 April 2025

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Shan Chuanlong (Chairman) and Mr. Kong Fan; two non-executive Directors, namely Mr. Ruan Jian and Mr. Zheng Yu; and one independent non-executive Director, namely Ms. Tang Po Yi.