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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)

BUSINESS UPDATE FRAMEWORK AGREEMENT REGARDING STRATEGIC COLLABORATION WITH SHENZHEN WUZHONGLONG MOTORS CO., LTD. IN THE DEVELOPMENT OF ELECTRIC VEHICLES

INTRODUCTION

The board of directors (the “**Board**”) of Hybrid Kinetic Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce that 連雲港正道新能源汽車系統集成有限公司 (Lianyungang HK New Energy Vehicles System Integration Co., Ltd.*) (“**HK System Integration**”) (a wholly-owned subsidiary of the Company) entered into a framework agreement with 深圳市五洲龍汽車有限公司 (Shenzhen Wuzhoulong Motors Co., Ltd.*) (“**Shenzhen Wuzhoulong Motors**”) on 3 August 2016 to outline the parties’ intention to a long-term strategic collaboration in establishing an electric vehicle industry chain for developing and creating a brand of indigenous new energy vehicles, power batteries and systems that integrates advanced technology and offers competitive value and performance.

The collaboration also echoes China’s greentech policies for emission reductions and energy saving for the sustainable development of China’s automotive industry.

INITIAL SCOPE OF COLLABORATION AND MAJOR GOALS

The initial scope of collaboration and major goals that the parties will strive to achieve include:

- to design and develop two types of electric bus (8.5-metre and 10 to 12-metre respectively) in accordance with the specifications required by the Group at such costs to be agreed and shared by the parties based on the circumstances. The exterior body (including chassis, etc.) for the electric buses will be supplied by Shenzhen Wuzhoulong Motors, which will be fitted with LTO (lithium-titanate) power batteries system (鈦酸鋰動力電池系統) and/or other auto components supplied by the Group.
- each party is to conduct its own technical research and to communicate timely with each other on any technical aspects and measures taken regarding the collaboration.
- the Group is to provide necessary technical support and services to ensure the safety of the electric buses after its launch into the market.
- the China's electric vehicle industry is expected to experience a robust growth during the period from 2015 to 2020. The parties shall grasp the golden opportunity to gain a solid footing for the electric buses to expedite market expansion and accelerate business growth.
- the Group is to develop high energy density LTO power batteries that comply with the standard laid down under, and seek inclusion into, the 《汽車動力蓄電池行業規範條件》企業目錄 (the Catalogue in respect of Standardized Requirements for the Automobile Power Storage*).

INFORMATION ON WUZHOUNG MOTORS GROUP

Shenzhen Wuzhoulong Motors is part of the Wuzhoulong Motors Group, a high-tech enterprise headquartered in Shenzhen, China and specializing in manufacturing and exporting different series of bus and coach, especially environment-friendly buses. Characterized with “Wuzhoulong (五洲龍)” new energy buses as its main products, the Wuzhoulong Motors Group has developed more than 150 varieties of products covering all bus fields, such as hybrid buses, pure electric bus, new energy bus, diesel bus and coach.

REASONS FOR AND POTENTIAL BENEFITS FROM THE COLLABORATION

The Group is principally engaged in the environmental automobile and related business.

We have a long-term commitment to the auto industry and the China market. We are dedicated to identifying and cooperating with strategic partners like Shenzhen Wuzhoulong Motors which share our vision of shaping mobility for a more sustainable future. We highly value Shenzhen Wuzhoulong Motors' experience in designing and developing electric vehicles, its spirit of innovation, its tenacity and efforts in environmental and innovation solutions and its market position in China and overseas.

The collaboration is of great significance to contributing to the alleviation of environmental and resource burdens for the sustainable development of China's automobile industry, further penetration into the auto market, the elevation of national competition at a global level and enabling mutual benefits to be achieved.

In light of the above, the Board is of the view that the terms of the framework agreement are fair and reasonable and the strategic collaboration with Shenzhen Wuzhoulong Motors is in the overall interests of the Company and its shareholders.

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

Hong Kong, 22 August 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 Tingkang, 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.

* *For identification purpose only*