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Media & ASX Market Announcement

Australian Securities Exchange

Cycliq to form joint venture with consumer electronics dynasty

Highlights

- MoU to form a new JV company with Thompson & Kenneth Cheung, the father/son combination behind Hong Kong based Glory Horse Industries Limited.
- Equal ownership JV to be called **Cycliq Research & Development (HK) Limited**
- New entity to focus on product development and manufacture of new products

Cycliq Group Ltd is pleased to announce it has signed a Memorandum of Understanding (MoU) with Thompson & Kenneth Cheung - the founding shareholders of Glory Horse Industries Limited - to form a joint venture company that will develop and produce new Cycliq products.

The new entity will be incorporated in Hong Kong and trade under the name Cycliq Research & Development (HK) Ltd. Cycliq Group and Thompson & Kenneth Cheung will each hold shares equal to 50 per cent of the new company.

"Cycliq Group is incredibly excited about our partnership with the Cheung manufacturing dynasty. Their wealth of knowledge in consumer electronics will provide us with the ability to vertically integrate our supply chain, reduce the cost of new product development and the overall manufacturing costs for our products," said Cycliq Executive Chairman Chris Singleton.

The new entity will be headquartered in Hong Kong, with manufacturing facilities in mainland China.

"The Cheungs will bring their extensive experience to the new venture after Mr Thompson Cheung first established Glory Horse Industries Limited over 20 years ago," said Mr Singleton.

Glory Horse Industries continues to be a large-scale manufacturer of power tools and consumer electronics having worked with global brands including Aiwa, Bosch, Casio, and Radio Shack.*

"This new venture will be a game changer for Cycliq Group as it will give us better protection over our intellectual property, increase margins, and reduce new product development and production lead times which will ultimately improve our working capital requirements," said Mr Singleton.

Once the new entity has been incorporated, Cycliq Research & Development (HK) Ltd will design, engineer, develop and manufacture all future Cycliq products.

“The long-term upside potential of our joint venture with Glory Horse is massive. It lays the foundation for us to expand our product offering and explore opportunities in completely new market segments,” said Mr Singleton.

Cycliq Group has been focused on expanding its global sales and distribution network, and has recently secured a raft of new sales channels in Australia and overseas.

“Cycliq has been reviewing our end-to-end efficiency as we seek to grow sales volumes and increase market share. We are gearing up for future growth,” said Mr Singleton.

Key contractual elements

- 50/50 ownership structure with equal Board representation – Cycliq appointed Chairperson to hold a deciding vote.
- Thompson & Kenneth Cheung shall provide as consideration for the venture, all resources necessary to enable the design, engineering and facilitation of the manufacture of Cycliq products to the extent those resources currently exist within their affiliated entities. This will be provided at no cost to the entity up to the equivalent value of HK\$3,000,000 to match Cycliq’s working capital contribution.
- Cycliq shall provide as consideration for the venture, A\$500,000 of ordinary share capital in Cycliq at \$0.025 per share to Thompson & Kenneth Cheung. This consideration will be staged over three milestones as follows:
 - A\$200,000 issued upon the successful incorporation of Cycliq Research & Development (HK) Ltd, including the completion of the Shareholders Agreement (**SA**) and Service Level Agreements (**SLA**) put in place to achieve Cycliq Research & Development (HK) Ltd’s immediate business objectives;
 - A\$200,000 issued upon finalisation of the hardware and software design for a new product offering, being the first product to be designed, engineered, developed and manufactured by Cycliq Research & Development (HK) Ltd; and
 - A\$100,000 issued upon the commencement of Mass Production One of a new product offering by the entity;
- Working capital up to a value of HK\$3,000,000 (approximately A\$508,110 at current spot rates) to engage and/or purchase new resources which are required to design and engineer Cycliq’s products that are not included by the services and resources contained within the SLA or within the capabilities of Thompson & Kenneth Cheung and their affiliated entities.
- Thompson & Kenneth Cheung shall also hold a right to purchase up to A\$1 million of Cycliq’s Ordinary shares at a 10% discount to Cycliq’s previous 60-day volume weighted average share price, to a maximum holding of no more than 19.9%, valid for a period of 3 years commencing from the date on which the final milestone payment mentioned above occurs.

Conditions precedent

The successful completion of the agreement outlined under the MoU is contingent on the following conditions:

- The incorporation of Glory Horse Investment Holdings Ltd by Thompson & Kenneth Cheung to act as the corporate partner in the venture with Cycliq as outlined in the MoU;
- Completion of any due diligence deemed to be required to the sole satisfaction of the parties within 30 days of the signing of the MoU, and subject to timely receipt of requested information and site visits (as required);
- Incorporation of Cycliq Research & Development (HK) Ltd, including the adoption of a Shareholders Agreement agreed to by both parties;
- An executed Service Level Agreement between Cycliq Research & Development (HK) Ltd and the parties which details the commercial terms in which the parties propose to support and provide services to Cycliq Research & Development (HK) Ltd;
- Share issue and purchase agreement(s) entered into for the purpose of issuing ordinary shares in Cycliq Group Limited to Thompson & Kenneth Cheung, or their nominees, as noted in the key contractual elements above;
- Agreement on ownership, licensing and rights associated with any internally generated intangible assets between parties;
- No material adverse changes in the Cycliq Group Limited business during the Exclusivity Period, being 60 days from the signing of the MoU, including but not limited to:
 - loss of contracts material to the business (as determined by Cycliq Group Limited in its sole discretion);
 - the sale or acquisition of material assets contemplated in the Proposed Transaction; and/or
 - loss of key staff in the business
 - receiving the required approvals from the Cycliq Group Limited Board and/or shareholders (as required); and
 - approval from any Australian or Hong Kong regulatory bodies (as required).

About Thompson Cheung and Kenneth Cheung

Thompson Cheung started his career in 1965 as an electronics engineer. He went on to establish himself as one of the foremost electronic goods manufacturers and tooling experts in the Hong Kong and Chinese manufacturing industries. Establishing Glory Horse Industries Limited in 1996, Thompson remains a Director of the company he founded, which has grown to become a large-scale manufacturer of consumer electronic products. Glory Horse has worked with an extensive portfolio of customers including global brands such as Aiwa, Bosch, Casio, Eton, Hilti, Milwaukee Electric Tool Corporation, Twinbird, Ridgid and Radio Shack.*

Kenneth Cheung has been a Director of Glory Horse Industries Limited since 2007, responsible for the corporate finance, business development and strategic planning of the company. Educated in Canada, he has a degree in Applied Science and Engineering and an Executive Masters of Business Administration from the University of Western Ontario. Before joining Glory Horse Industries Limited, Kenneth spent the first decade of his career working as an electronics engineer, specializing in wireless telecommunications with Nortel Networks in both Canada and the Asia Pacific.

About Cycliq

Cycliq is the number one brand in HD camera and lighting combinations, delivering cycling safety and action camera solutions for commuters, mountain bikers, racers and professional cyclists alike. Cycliq products are aimed at helping our customers around the globe to enjoy their journey safely.

For more information about Cycliq, please visit www.cycliq.com

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References

<http://www.510.tradebig.com/>