HYBRID KINETIC GROUP LIMITED
正道集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1188)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

The board (the "Board") of directors (the "Directors") of Hybrid Kinetic Group Limited (the "Company") would announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2012 (the "Period") together with the comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	*3*	**17,154**	24,103
Cost of sales		**(11,736)**	(17,629)
Gross profit		**5,418**	6,474
Other income		**1,718**	939
Distribution costs and general operating expenses		**(80,734)**	(95,167)
Impairment of goodwill		**(4,867)**	–
Change in fair value of other financial asset		**10,000**	–
Finance costs		**(1,172)**	(245)

	Notes	Six months ended 30 June **2012** ***HK$'000*** **(Unaudited)**	 2011 *HK$'000* (Unaudited)
Loss before income tax	*5*	**(69,637)**	(87,999)
Income tax credit	*6*	**1,210**	136
Loss for the period from continuing operations		**(68,427)**	(87,863)
Discontinued operations			
Profit for the period from discontinued operations	*7.2*	**9,282**	997
Loss for the period		**(59,145)**	(86,866)
Other comprehensive income			
Exchange differences on translation of financial statements of subsidiaries		**100**	5,342
Transfer of translation reserve to profit or loss on disposal of subsidiaries		**(5,415)**	–
Other comprehensive income for the period		**(5,315)**	5,342
Total comprehensive income for the period		**(64,460)**	(81,524)
Loss for the period attributable to:			
Owners of the Company		**(55,937)**	(85,425)
Non-controlling interests		**(3,208)**	(1,441)
		(59,145)	(86,866)

	Notes	Six months ended 30 June 2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
Total comprehensive income for the period attributable to:			
Owners of the Company		**(61,252)**	(81,000)
Non-controlling interests		**(3,208)**	(524)
		(64,460)	(81,524)
(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company during the period	*8*		
From continuing and discontinued operations			
Loss per share – basic		**HK(0.67) cent**	HK(1.17) cents
Loss per share – diluted		**N/A**	N/A
From continuing operations			
Loss per share – basic		**HK(0.79) cent**	HK(1.18) cents
Loss per share – diluted		**N/A**	N/A
From discontinued operations			
Earnings per share – basic		**HK0.12 cent**	HK0.01 cent
Earnings per share – diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	As at 30 June 2012 HK$'000 (Unaudited)	As at 31 December 2011 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*10*	**55,687**	68,169
Prepaid land lease payments		**–**	1,391
Available-for-sale financial asset		**–**	–
Goodwill		**29,245**	34,112
Intangible assets		**34,463**	51,450
Prepayments and deposits		**30,665**	19,097
Other financial asset		**26,000**	16,000
		176,060	190,219
Current assets			
Inventories		**38,392**	33,934
Trade receivables	*11*	**7,743**	31,985
Bills receivable		**950**	–
Prepayments, deposits and other receivables		**127,556**	29,950
Pledged bank deposits		**11,735**	11,735
Tax recoverable		**946**	1,405
Cash and cash equivalents		**53,196**	53,595
		240,518	162,604

	Notes	As at 30 June 2012 HK$'000 (Unaudited)	As at 31 December 2011 HK$'000 (Audited)
Current liabilities			
Trade payables	*12*	**28,485**	26,779
Accruals and other payables		**47,298**	39,982
Amounts due to directors		**717**	723
Borrowings		**226**	3,262
Bills payable		**21,856**	21,856
		98,582	92,602
Net current assets		**141,936**	70,002
Total assets less current liabilities		**317,996**	260,221
Non-current liabilities			
Deferred tax liabilities		**4,794**	6,056
Net assets		**313,202**	254,165
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**877,216**	731,216
Reserves		**(564,438)**	(506,722)
		312,778	224,494
Non-controlling interests		**424**	29,671
Total equity		**313,202**	254,165

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

This unaudited interim financial information ("The Unaudited Interim Financial Information") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure provisions in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Unaudited Interim Financial Information does not include all of the information required in the annual financial statement, and should be read in conjunction with the Group's annual financial statements of the Company for the year ended 31 December 2011 ("the 2011 Annual Financial Statements").

The Unaudited Interim Financial Information for the six months ended 30 June 2012 was approved for issue by the board of directors on 31 August 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Unaudited Interim Financial Information has been prepared in accordance with the accounting policies and method of comparatives used in the 2011 Annual Financial Statements, except for the adoption of the new or revised Hong Kong Financial Reporting Standards ("HKFRSs"), which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int"). The adoption of these new or revised HKFRSs has had no material impact on the Group's financial statements. The Group has not early adopted any new or revised HKFRSs that have been issued but are not yet effective.

3. REVENUE

Revenue, which is also the Group's turnover, represents total invoiced value of goods supplied.

4. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Company's executive directors. The executive directors have identified the Group's product and service lines as operating segments as follows:

(i) natural resources business;

(ii) development and manufacturing of lithium-ion power battery; and

(iii) development and manufacturing of hybrid vehicles.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

During the period, the Group has discontinued its operations of environmental products and related business. These operations had been presented as discontinued operations and details have been set out in note 7 to the Unaudited Interim Financial Information.

For the six months ended 30 June 2012

	Natural resources business *HK$'000* (Unaudited)	Lithium-ion power batteries business *HK$'000* (Unaudited)	Hybrid vehicles business *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Revenue				
Sales to external customers	–	17,154	–	17,154
Segment results	(7,075)	(1,828)	(24,581)	(33,484)
Unallocated corporate income and expense, net				(32,323)
Share-based compensation				(3,830)
Loss before income tax				(69,637)
Income tax credit				1,210
Loss for the period from continuing operations				(68,427)
Profit for the period from discontinued operations *(note 7.2)*				9,282
Loss for the period				(59,145)

For the six months ended 30 June 2011

	Natural resources business HK$'000 (Unaudited)	Lithium-ion power batteries business HK$'000 (Unaudited)	Hybrid vehicles business HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Revenue				
Sales to external customers	–	24,103	–	24,103
Segment results	(6,624)	1,497	(22,543)	(27,670)
Unallocated corporate income and expense, net				(29,439)
Share-based compensation				(30,890)
Loss before income tax				(87,999)
Income tax credit				136
Loss for the period from continuing operations				(87,863)
Profit for the period from discontinued operations *(note 7.2)*				997
Loss for the period				(86,866)

Management determines the Group is domiciled in Hong Kong, which is the location of the Group's principal office.

At 30 June 2012, non-current assets (other than financial instruments) of HK$429,000 (31 December 2011: HK$500,000), HK$103,931,000 (31 December 2011: HK$133,998,000) and HK$15,035,000 (31 December 2011: HK$20,624,000) are located in the Hong Kong, the People's Republic of China ("PRC") and the United States respectively.

The geographical location of customers is based on the location at which the services were provided or the goods delivered. For goodwill and intangible assets, the geographical location is based on the entities' areas of operation. The geographical location of other non-current assets (other than financial instruments) is based on the physical location of the asset.

5. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Loss before income tax is arrived after charging/(crediting):		
Share-based compensation	**3,830**	30,890
Amortisation of intangible assets	**2,890**	4,207
Depreciation of property, plant and equipment	**7,333**	7,511
Impairment of intangible assets	**5,575**	–
Impairment of goodwill	**4,867**	–
Change in fair value of other financial asset	**(10,000)**	–
Research and development expenses	**18,501**	8,468

6. INCOME TAX CREDIT

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Current tax – PRC Enterprise Income Tax	**52**	224
Deferred tax	**(1,262)**	(360)
Total income tax credit	**(1,210)**	(136)

For the six months ended 30 June 2012 and 2011, no provision for Hong Kong profits tax has been made in the financial statements as the Group did not derive any assessable profits for the year in Hong Kong. Taxation on PRC and overseas profits has been calculated on the estimated assessable profit for those periods at the rates of taxation prevailing in the jurisdictions in which the Group operates.

7. DISCONTINUED OPERATIONS

7.1 On 22 December 2011, the Group entered into an agreement with a non-controlling shareholder of its subsidiary, Beijing Century Wanyeyuan Bio-Engineering Co., Limited ("Beijing Century") to a disposal of the Group's 65% equity interests in Beijing Century and its subsidiaries (collectively "Beijing Century Group"), which was principally engaged in environmental products and related business. The change of shareholder of Beijing Century Group was completed on 17 March 2012 and the Group had ceased to have control of Beijing Century Group and discontinued its operations in respect of environmental products and related business in accordance with HKFRS 5. The Group has also re-presented the disclosure for comparatives presented in the Unaudited Interim Financial Information so that the disclosures related to these operations that have been discontinued by the reporting date for the latest period presented. For the period ended 30 June 2012, the profits on these discontinued operations amounted to HK$9,282,000 (six months ended 30 June 2011: HK$997,000). Upon completion of disposal of Beijing Century Group, the Group has recognised a gain of HK$12,164,000 (six months ended 30 June 2011: Nil) in respect of disposal of subsidiaries.

7.2 An analysis of the results and cash flows of the discontinued operations for the period is as follows:

	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	**29**	8,143
Cost of sales	**(11)**	(2,866)
Gross profit	**18**	5,277
Other income	**2**	448
Distribution cost and general operating expenses	**(2,901)**	(4,318)
Finance costs	**–**	(3)
(Loss)/profit before income tax	**(2,881)**	1,404
Gain on disposal of subsidiaries *(note 14)*	**12,164**	–
Income tax expense	**(1)**	(407)
Profit for the period from discontinued operations	**9,282**	997
Cash flows from discontinued operations		
Net cash generated from operating activities	**174**	1,264
Net cash inflow	**174**	1,264

8. LOSS PER SHARE

The calculations of basic and diluted (loss)/earnings per share attributable to owners of the Company are based on the following data :

(Loss)/Earnings

	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/Profit attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share:		
Continuing operations	**(66,265)**	(86,099)
Discontinued operations	**10,328**	674
Total loss from continuing and discontinued operations	**(55,937)**	(85,425)

Number of shares

	2012	2011
	Number of shares	Number of shares
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of shares for the purpose of basic (loss)/earnings per share	**8,363,039**	7,309,922

Diluted loss per share for both periods was not presented because the impact of the exercise of the share options was anti-dilutive. Potential ordinary shares are dilutive when and only when their conversion into ordinary shares would increase loss per share attributable to owners of the Company.

9. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (Six months ended 30 June 2011: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired property, plant and equipment of HK$1,833,000 (Six months ended 30 June 2011: HK$9,035,000). Save as property, plant and equipment disposed of upon the disposal of subsidiaries as mentioned in note 14, for the six months ended 30 June 2012 and 2011, no other property, plant and equipment were disposed of during the period.

11. TRADE RECEIVABLES

As at 30 June 2012, the ageing analysis of the trade receivables (net of impairment) of the Group was as follows:

	As at 30 June 2012	As at 31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**220**	11,240
31 – 90 days	**3,835**	7,124
91 – 180 days	**2,000**	5,385
Over 180 days	**1,688**	8,236
	7,743	31,985

12. TRADE PAYABLES

As at 30 June 2012, the ageing analysis of the trade payables of the Group was as follows:

	As at 30 June 2012	As at 31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 180 days	**21,675**	12,788
Over 180 days	**6,810**	13,991
	28,485	26,779

13. SHARE CAPITAL

	At 30 June 2012 (Unaudited)		At 31 December 2011 (Audited)	
	Number of shares	**Amount**	Number of shares	Amount
		HK$'000		*HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each	**800,000,000,000**	**80,000,000**	800,000,000,000	80,000,000
Issued and fully paid:				
At beginning of period/year	**7,312,159,756**	**731,216**	7,309,159,756	730,916
Subscription of new shares during the period *(note)*	**1,460,000,000**	**146,000**	–	–
Shares issued from the share options scheme	**–**	**–**	3,000,000	300
At end of period/year	**8,772,159,756**	**877,216**	7,312,159,756	731,216

Note:

On 27 January 2012, the Group entered into agreements with five subscribers (the "Subscribers") pursuant to which the Subscribers agreed to subscribe for an aggregate of 1,460,000,000 new shares at the subscription price of HK$0.10 per subscription share. The subscription of shares was completed on 20 February 2012 and the gross cash proceeds of HK$146,000,000 have been received by the Group.

14. DISPOSAL OF SUBSIDIARIES

As mentioned in note 7.1, the Group entered into an agreement with a non-controlling shareholder of its subsidiary (the "purchaser") to dispose of the Group's 65% equity interests in Beijing Century Group at the consideration of RMB41,000,000 (equivalent to approximately HK$50,553,000). The disposal of Beijing Century Group was completed on 17 March 2012. The net assets of Beijing Century Group at the date of disposal were as follows:

	Carrying amounts
	HK$'000
	(Unaudited)
Net assets disposed of:	
Property, plant and equipment	6,019
Prepaid land lease payments	1,380
Intangible assets	7,376
Inventories	6,435
Trade receivables	6,528
Prepayments, deposits and other receivables	2,883
Amount due from remaining group	6,975
Cash and cash equivalents	36,336
Trade payables	(3,225)
Accruals and other payables	(863)
Tax payables	(1)
	69,843
Non-controlling interests	(26,039)
	43,804
Release of translation reserve upon disposal of subsidiaries	(5,415)
Gain on disposal of subsidiaries *(note 7.2)*	12,164
Total consideration	50,553
Satisfied by	
Cash	50,553

Net cash outflow arising from disposal of subsidiaries	*HK$'000*
	(Unaudited)
Cash consideration *(note)*	50,553
Cash and cash equivalents disposed of	(36,336)
	14,217
Remaining balance of the cash consideration receivable from the Purchaser as at 30 June 2012 *(note)*	(25,018)
Net cash outflow from disposal of subsidiaries during the period	(10,801)

Beijing Century Group contributed revenue of HK$29,000 and net loss of HK$2,882,000 to the Group for the period from 1 January 2012 to 17 March 2012 (being effective date of disposal).

Note:

During the period, the Group has received part of the cash consideration of HK$25,535,000 from the Purchaser. The remaining balance of HK$25,018,000 due from the Purchaser was included in prepayments, deposits and other receivables as at 30 June 2012.

15. CAPITAL COMMITMENT

As at 30 June 2012, the Group has the following capital commitments:

	As at 30 June 2012	As at 31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted but not provided for		
– Establishment of a subsidiary in the PRC	**6,071**	6,071
– Purchase of property, plant and equipment	**–**	97
– Research and development projects	**36,036**	36,036
	42,107	42,204

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The principal businesses of the Group during the Period included the environmental automobile and related business (comprising the automobile battery business and the environmental automobile business), the environmental products and related business, and the natural resources business.

The Group's turnover and loss attributable to shareholders for the Period amounted to HK$17.15 million (2011: HK$24.10 million) and HK$55.94 million (2011: HK$85.43 million) respectively. The loss for the Period was mainly attributable to the general operating expenses and impairment of goodwill for the automobile battery business.

The general operating expenses for the Period decreased to HK$80.73 million (2011: HK$95.17 million) which consisted of the research and development expenses of HK$18.50 million (2011: HK$8.47 million), depreciation expenses of HK$7.33 million (2011: HK$7.51 million), share-based compensation of HK$3.83 million for share options granted during the Period (2011: HK$30.89 million) and salary expenses of HK$23.69 million (2011: HK$24.70 million).

(a) Environmental automobile and related business

Automobile Battery Business

The Group engages in the automobile battery business through the Company's wholly owned subsidiary, Zhejiang GBS Energy Co., Ltd.（浙江佳貝思綠色能源有限公司）("GBS"). For the Period, the turnover and the loss of this segment were approximately HK$17.15 million and HK$1.83 million as compared to the turnover of approximately HK$24.10 million and the profit of approximately HK$1.50 million in the same period of 2011. The impairment of goodwill and the impairment of intangible assets for the business amounted to HK$4.87 million (30 June 2011: nil) and HK$5.58 million for the Period (30 June 2011: nil).

During the Period, mounting auto incidents in the PRC raised quality and safety concerns over both domestic as well as foreign autos and did affect the domestic market growth. Increasing costs of materials, manufacturing overhead and labour also had an impact on the profit margin and affected the performance of this business segment.

The business operation of GBS during the year ended 2011 and in the ensuing six-month period had not been performing as well as the ex-owners of GBS had expected and the profits guaranteed could not be achieved as disclosed by the Company in its announcement on 25 June 2012. Since the business performance of GBS has been affected more by external factors (rather than internal factors) which is not entirely within the control of the Group, the Board considers it more worthwhile and pragmatic to work closely together with the core management of GBS to resolve matter amicably and find ways to improve the performance of GBS rather than resorting to any legal recourse available to the Group under this uncertain and fragile global economy which the Directors consider may not be in the best interests of the Group.

The prevailing market condition has caused the Group's automobile battery business to lack its buoyance. As the Board envisages that the growth in this line of business of the Group would continue to be restrained until significant and proven breakthrough in battery architecture and technology for electric and hybrid vehicles can be made, the Group has slowed down the pace of business expansion and will re-examine and adjust the business strategies for this line of business as and when appropriate.

The Company has feverishly explored, and had in-depth discussions with certain owners of, the next generation battery technologies which have potential to improve the performance of the current battery technologies and revitalize the automobile battery industry. The Company will make the necessary announcement(s) as and when there is any significant progress in accordance with the Listing Rules.

Environmental Automobile Business

The Group engages in the research and development of environmental automobile through its U.S. subsidiary, Hybrid Kinetic Motors Corporation. For the Period, this business segment recorded a loss of approximately HK$24.58 million (2011: HK$22.54 million). The loss was mainly attributable to research and development expenditures of HK$18.50 million.

Notwithstanding that the hybrid and electric cars market in the PRC did not show much improvement in the first half of 2012 as compared with the same period in last year, the Board believes new energy automobiles are still the major driver of the environmental automobile industry and will seek to gain strategic high ground in it.

(b) Environmental products and related business

On 22 December 2011, the Group entered into an agreement with a non-controlling shareholder of its subsidiary, Beijing Century Wanyeyuan Bio-Engineering Co., Limited*（北京世紀萬業源生物工程技術有限公司）("Beijing Century") to a disposal of the Group's 65% equity interests in Beijing Century and its subsidiaries (collectively "Beijing Century Group"), which was principally engaged in environmental products and relate business. The change of shareholder of Beijing Century Group was completed in March 2012 and the Group had ceased to have control of Beijing Century Group.

(c) Natural resources business

The Group carries on its natural resources business mainly through Jilin Shengshi Mining Ltd.（吉林晟世礦業有限公司）("Jilin Shengshi") and Nevada Gold Holdings, Inc., being the subsidiaries of the Company. For the Period, this business segment recorded no turnover (2011: NIL). This business segment recorded a loss of HK$7.08 million (2011: HK$6.62 million) which was mainly attributable to operating expenses incurred during the Period. Currently, a subsidiary of Jilin Shengshi is the holder of two exploration licences which confer the right to conduct exploration work at certain copper mine (valid for the period from 16 December 2010 to 16 December 2012) and certain copper, aluminium and zinc mines (valid for the period from 16 December 2010 to 16 December 2012) located in the Jilin Province, the PRC.

On 24 September 2008, Jilin Shengshi, entered into the management agreement with Garze Prefecture Rongxin Mining Co., Ltd. (the "Rongxin Mining Co.") and its shareholders in providing management services in respect of the business operated by, and general administrative affairs of Rongxin Mining Co. and survey, exploration and development of its gold mine located at Sichuan Province, the PRC. In December 2009, Rongxin Ming Co. obtained the exploitation right of the gold mine. After survey and exploration, the Board believed it had potential in rich gold reserve in the gold mine. In order to pursue this opportunity in March 2012, the Group extended the management agreement for another three years till 2015 and paid an additional security deposit of RMB9.0 million. The security deposit is unsecured, interest free and refundable to Jilin Shengshi in accordance with the management agreement (totalling RMB20 million has been paid as at 30 June 2012).

In January 2012, the Group appointed an agent in Angola, Africa to explore investment opportunities in the area of coal, timber and infrastructure in Africa.

The development strategy for the Group's natural resources business had been subject to constant review and evaluation by the Group during the Period.

Prospects

The global economic environment has become more volatile in recent months and many expectations about the future have become uncertain. Most of the developed economies are having a structural challenge, high unemployment, high government debts, high inflation and these factors have been adversely affecting the growth in every sector of business everywhere. To meet the tough challenges ahead, the Group is constantly examining and rethinking its existing development strategy and may make such adjustments as the Company considers appropriate or expedient to maintain a competitive position under the fluctuation period. For its power battery business, the Group will continue to strive to enhance and enforce quality control and product safety measures for the production of its power battery and related products with an aim of meeting up with international standards. This strategy will not only help strengthen consumer confidence in, and competitiveness of, the Group's products and also help build allegiance to brand name in an effort to maximize earnings in the long term. Development of new products and innovation of technology will still be the Group's main emphasis in the near future.

With our shareholders' best interests in mind and in light of the recent global economic fluctuations and the fact that the US economy has yet to recover back to normal, prudence dictates us to adapt our action plans or timetable and slow-track the development of our automobile business in the US so as to place the Group in a better position to withstand financial and economic turbulence and turn any possible crisis into its opportunities. The Board will pay close attention to the global economy and the operating environment of the automobile industry, in particular in the US and the PRC.

As regards the natural resources business, the Company will continue to examine the development strategy of this business segment, evaluate alternative strategic directions including the effectiveness of its investments and allocation of resources with a view to formulating a suitable plan that can optimize growth of this business segment and generate returns for the Group in the long run.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the total equity of the Group amounted to approximately HK$313.20 million (31 December 2011: HK$254.17 million). The gearing ratio of the Group as at 30 June 2012 measured in terms of total liabilities divided by shareholders' equity was approximately 33.05% (31 December 2011: 43.95%). As at 30 June 2012, net current assets of the Group were approximately HK$141.94 million (31 December 2011: HK$70.0 million). The pledged bank deposits were approximately HK$11.74 million (31 December 2011: HK$11.74 million) while the cash and cash equivalents amounted to HK$53.20 million (31 December 2011: HK$53.60 million). The Group also had outstanding borrowings of approximately HK$226,000 (31 December 2011: HK$3.26 million).

FUND RAISING ACTIVITIES AND USE OF PROCEEDS DURING THE PERIOD

On 27 January 2012, the Company entered into five several subscription agreements with five several independent subscribers pursuant to which the Company agreed to allot and issue and such subscribers agreed to subscribe for an aggregate of 1,460,000,000 new shares in the Company at the subscription price of HK$0.10 each (the "Subscription"). The Subscription was completed on 20 February 2012 with net proceeds of HK$145.7 million raised of which approximately HK$92.5 million was utilized as general working capital for the development of the environmental automobile and related business of the Group as at 30 June 2012.

The application of the net proceeds was in line with the intended use of net proceeds as disclosed in the announcement of the Company dated 27 January 2012.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group had a total of 220 employees as at 30 June 2012. It has been the Group's policy to ensure that the remuneration levels of its employees are reviewed and rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group has participated in a mandatory provident fund scheme for its employees based in Hong Kong. Shares options may also be granted to employees of the Group to recognize their contributions to the Group or serve as an incentive to retain them for the development of the Group.

PLEDGE OF ON GROUP ASSETS

As at 30 June 2012, the Group had pledged its bank deposits of HK$11.74 million (31 December 2011: HK$11.74 million) to the Group's bankers to secure general banking facilities granted to the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

During the Period, almost all of the income and expenditure of the Group were denominated in Renminbi, Hong Kong dollar and United States dollar, and the Group had no significant exposure to foreign exchange fluctuations and, therefore, had not taken any financial instruments for hedging purpose.

MATERIAL ACQUISITIONS AND DISPOSALS

Except for the disposal of the Beijing Century Group completed in March 2012 as disclosed above, there were no material acquisitions and disposals of the Group during the Period.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE

Throughout the Period, the Company had complied with the code provisions and certain recommended best practices set out in the Corporate Governance Code which became effective on 1 April 2012 (formerly the Code on Corporate Governance Practices) (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

During the Period, none of the Directors had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

COMPETING INTERESTS

The Directors were not aware of any business or interest of any of the Directors, or the controlling shareholders of the Company and their respective associates (as defined in the Listing Rules) that competes or may compete, directly or indirectly, with the business of the Group for the Period.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct governing securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed to the Company their compliance with the required standards set out in the Model Code during the Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company had maintained sufficient public float of not less than 25% of its total issued shares as required under the Listing Rules during the Period.

REVIEW OF FINANCIAL STATEMENTS

The interim results for the Period are unaudited and have not been reviewed by the auditor of the Company. The audit committee of the Company has reviewed with management of the Company the accounting principles and practices adopted by the Group, the internal controls and financial reporting matters of the Group, and the unaudited condensed consolidated financial statements of the Group for the Period.

PUBLICATION OF THE INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2012 will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the website of the Company (http://hk1188.etnet.com.hk/) in due course.

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

Hong Kong, 31 August 2012

As at the date of this announcement, the Board comprises nine executive directors, namely Dr Yeung Yung (Chairman), Dr Huang Chunhua (Deputy Chairman), Dr Wang Chuantao (Chief Executive Officer), Mr Liu Stephen Quan, Mr Hui Wing Sang, Wilson, Dr Zhu Shengliang, Dr Zhang Zhenwei, Mr Xu Jianguo and Mr Li Zhengshan, two non-executive directors, namely Dr Xia Tingkang, Tim and Dr Zhu Guobin and three independent non-executive directors, namely Mr Wong Lee Hing, Dr Song Jian and Mr. Cheng Tat Wa.