HYBRID KINETIC GROUP LIMITED
正道集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1188)

ANNUAL RESULTS ANNOUNCEMENT 2014

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Hybrid Kinetic Group Limited (the "**Company**") would like to announce the audited consolidated financial results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2014 (the "**Year**") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014**	2013
		HK$'000	*HK$'000*
Continuing operations			
Revenue	*5*	**–**	–
Cost of sales		**–**	–
Gross profit		**–**	–
Other income		**4,446**	4,151
Distribution costs		**–**	(430)
General operating expenses		**(413,876)**	(173,648)
Change in fair value of other financial asset	*13*	**14,000**	–
Loss before income tax	*6*	**(395,430)**	(169,927)
Income tax expense	*7*	**(6)**	–
Loss for the year from continuing operations		**(395,436)**	(169,927)
Discontinued operations			
Loss for the year from discontinued operations	*16.2*	**(25,406)**	(16,499)

	Notes	2014 HK$'000	2013 HK$'000
Loss for the year		**(420,842)**	(186,426)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of foreign subsidiaries		**3,326**	1,493
Other comprehensive income for the year		**3,326**	1,493
Total comprehensive income for the year		**(417,516)**	(184,933)
Loss for the year attributable to:			
Owners of the Company		**(415,156)**	(179,086)
Non-controlling interests		**(5,686)**	(7,340)
		(420,842)	(186,426)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(412,842)**	(177,593)
Non-controlling interests		**(4,674)**	(7,340)
		(417,516)	(184,933)
Loss per share attributable to owners of the Company during the year	*9*		
From continuing and discontinued operations			
Loss per share – basic		**HK(3.53) cents**	HK(1.79) cents
Loss per share – diluted		**N/A**	N/A
From continuing operations			
Loss per share – basic		**HK(3.31) cents**	HK(1.62) cents
Loss per share – diluted		**N/A**	N/A
From discontinued operations			
Loss per share – basic		**HK(0.22) cent**	HK(0.17) cent
Loss per share – diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**23,062**	40,781
Goodwill		**–**	11,900
Intangible assets		**–**	26,837
Prepayments and deposits	*10*	**94,454**	–
Other investment		**11,479**	9,815
		128,995	89,333
Current assets			
Inventories		**–**	44,164
Trade receivables	*11*	**–**	28,392
Bills receivable		**–**	989
Prepayments, deposits and other receivables	*12*	**131,857**	337,438
Amount due from a non-controlling shareholder of a subsidiary		**2,624**	54,239
Other financial asset	*13*	**–**	24,000
Derivative financial asset		**4,326**	13,260
Short-term investments		**11,346**	8,876
Structured bank deposits		**100,856**	–
Pledged bank deposits		**807**	807
Cash and cash equivalents		**202,071**	147,996
		453,887	660,161
Assets of a disposal company classified as held for sale	*16.2*	**136,433**	–
		590,320	660,161

	Notes	2014 HK$'000	2013 HK$'000
Current liabilities			
Trade payables	*14*	**134**	32,349
Accruals and other payables	*15*	**42,876**	49,611
Borrowings		**207**	7,815
Bills payable		**–**	12,680
Tax payable		**4**	1,747
		43,221	104,202
Liabilities of a disposal company classified as held for sale	*16.2*	**63,681**	–
		106,902	104,202
Net current assets		**483,418**	555,959
Total assets less current liabilities		**612,413**	645,292
Non-current liabilities			
Deferred tax liabilities		**–**	4,005
Net assets		**612,413**	641,287
EQUITY			
Equity attributable to owners of the Company			
Share capital		**1,418,714**	1,041,116
Reserves		**(841,574)**	(695,075)
		577,140	346,041
Non-controlling interests		**35,273**	295,246
Total equity		**612,413**	641,287

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. General information

Hybrid Kinetic Group Limited is an exempted company with limited liability incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and, its principal place of business is Suites 1407-8, 14th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The principal activities of the of the Company and its subsidiaries (together referred to as the "Group") were:

– natural resources business;

– development of hybrid vehicles;

– development of advanced batteries materials; and

– development of high-tech electric motors vehicles.

The Group's wholly owned subsidiary, namely Zhejiang GBS Energy Co., Ltd. ("**GBS**"), is principally engaged in development and manufacturing of lithium-ion power battery. Since the second half of 2014, the Group's management has commenced a plan to dispose of its business in development and manufacturing of lithium-ion power battery. In August 2014, the Group has entered into a share transfer agreement in respect of the disposal of its 75% equity interest in GBS. The disposal of 75% equity interest in GBS constituted a very substantial disposal and connected transaction under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and is subject to approval from the Company's independent shareholders, details of which have been set out in the Company's circular dated 16 December 2014.

It was resolved in the special general meeting held on 5 January 2015 that the disposal of 75% equity interest in GBS had already obtained the approval from the Company's independent shareholders by way of poll. The disposal of 75% equity interest in GBS is completed in January 2015 and the Group ceased to have control in GBS thereafter.

The Group's management considers that the disposal of 75% equity interest in GBS is highly probable as at 31 December 2014. In accordance with Hong Kong Financial Reporting Standard ("**HKFRS**") 5, the Group has reclassified:

(a) the income and expenses of GBS for the years ended 31 December 2014 and 2013 as discontinued operations in the Group's consolidated statement of comprehensive income; and

(b) the assets and liabilities of GBS as at 31 December 2014 as assets/liabilities of a disposal company classified as held for sale in the Group's consolidated statement of financial position.

Development and manufacturing of lithium-ion power battery represent separate major lines of the Group's businesses, and the operations and cash flows of which can be clearly distinguished from the rest of the Group. Further details regarding the discontinued operations and assets/liabilities of a disposal company classified as held for sale are set out in notes 16.1 and 16.2.

The financial statements for the year ended 31 December 2014 were approved and authorised for issue by the board of directors on 31 March 2015.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs")

2.1 In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets

Except as explained below, the adoption of the new/revised standards and interpretations has no significant impact on the Group's financial statements.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively.

The adoption of the amendments has no impact on the financial statements as the Group does not have any offsetting arrangements.

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit ("**CGU**") to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are applied retrospectively.

The disclosures about the impairment of goodwill have been modified accordingly.

2.2 *New/revised HKFRSs that have been issued but are not yet effective*

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
HKFRS 9 (2014)	Financial Instruments[5]
HKFRS 15	Revenue from Contracts with Customers[4]
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[3]

[1] *Effective for annual periods beginning on or after 1 July 2014*

[2] *Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014*

[3] *Effective for annual periods beginning on or after 1 January 2016*

[4] *Effective for annual periods beginning on or after 1 January 2017*

[5] *Effective for annual periods beginning on or after 1 January 2018*

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("**FVTOCI**") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("**FVTPL**").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors anticipate that more disclosures would be made but not yet in a position to state whether these new/revised HKFRSs would have material impact on the Group's financial statements.

2.3 New Companies Ordinance provisions relating to the disclosure requirements of financial statements

The provisions of the new Companies Ordinance, Cap. 622, in relation to the disclosure requirements of financial statements will apply to the Group in its first financial year beginning on or after 3 March 2014 (i.e. the financial year ending 31 December 2015).

The directors consider that there will be no impact on the Group's financial position or results, however the new Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements.

3. Basis of preparation

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Listing Rules.

3.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for financial instruments at fair value through profit or loss are stated at fair values. The measurement bases are fully described in the accounting policies below.

3.3 Functional and presentation currency

The financial statements are presented in Hong Kong Dollars ("**HK$**"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("**HK$'000**") unless otherwise stated.

4. Segment information

The chief operating decision maker, being the Company's executive directors, has identified the Group's product and service lines as operating segments as follows:

(i) natural resources business;

(ii) development of hybrid vehicles;

(iii) development of advanced batteries materials; and

(iv) development of high-tech electric motor vehicles.

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

As mentioned in note 1, the Group has discontinued its operations of development and manufacturing of lithium-ion power battery and these operations had been presented as discontinued operations in the financial statements and not presented in the segment information. Further details regarding the results of these discontinued operations are set out in note 16.1.

For the year ended 31 December 2014

	High-tech electric motor vehicles business *HK$'000*	Advanced batteries materials business *HK$'000*	Natural resources business *HK$'000*	Hybrid vehicles business *HK$'000*	Total *HK$'000*
Revenue					
Sales to external customers	–	–	–	–	–
Segment results	(99,560)	(12,844)	(20,411)	(1,271)	(134,086)
Unallocated corporate income and expense, net					(65,588)
Share-based compensation					(195,756)
Loss before income tax					(395,430)
Income tax expense					(6)
Loss for the year from continuing operations					(395,436)
Loss for the year from discontinued operations *(note 16.1)*					(25,406)
Loss for the year					(420,842)
Segment assets	111,133	41,311	8,233	1,010	161,687
Amount due from a non-controlling shareholder of a subsidiary					2,624
Short-term investments					11,346
Structured bank deposits					100,856
Cash and cash equivalents held by the Group's headquarter					173,410
Assets of a disposal company classified as held for sale *(note 16.2)*					136,433
Unallocated corporate assets					132,959
Total assets					719,315
Segment liabilities	4,548	254	9,084	7,894	21,780
Liabilities of a disposal company classified as held for sale *(note 16.2)*					63,681
Borrowings					207
Tax payable					4
Unallocated corporate liabilities					21,230
Total liabilities					106,902
Other segment information					
Interest income	70	24	50	–	144
Depreciation	(817)	(77)	(–)	–	(894)
Impairment of goodwill	–	(1,271)	–	–	(1,271)
Impairment of other receivables	(8)	(21)	(10,792)	–	(10,821)
Research and development expenses	(96,391)	–	–	–	(96,391)
Change in fair value of derivative financial asset	–	(8,934)	–	–	(8,934)
Additions to non-current assets (excluding financial instruments)	53,774	99	–	–	53,873

For the year ended 31 December 2013

	Advanced batteries materials business *HK$'000*	Natural resources business *HK$'000*	Hybrid vehicles business *HK$'000*	Total *HK$'000*
Revenue				
Sales to external customers	–	–	–	–
Segment results	(4,853)	(9,823)	(14,092)	(28,768)
Unallocated corporate income and expense, net				(46,883)
Share-based compensation				(94,276)
Loss before income tax				(169,927)
Income tax credit				–
Loss for the year from continuing operations				(169,927)
Loss for the year from discontinued operations *(note 16.1)*				(16,499)
Loss for the year				(186,426)
Segment assets	355,417	20,285	3,949	379,651
Amount due from a non-controlling shareholder of a subsidiary				54,239
Short-term investments				8,876
Cash and cash equivalents held by the Group's headquarter				13,062
Assets of a disposal company classified as held for sale				185,705
Unallocated corporate assets				107,961
Total assets				749,494
Segment liabilities	210	9,234	7,888	17,332
Liabilities of a disposal company classified as held for sale				53,284
Borrowings				7,815
Tax payable				1,747
Unallocated corporate liabilities				28,029
Total liabilities				108,207
<u>Other segment information</u>				
Interest income	53	–	3	56
Depreciation	(19)	(5)	(1,334)	(1,358)
Impairment of property, plant and equipment	–	–	(3,979)	(3,979)
Impairment of intangible assets	–	–	(1,446)	(1,446)
Research and development expenses	(544)	–	–	(544)
Change in fair value of derivative financial asset	(235)	–	–	(235)
Additions to non-current assets (excluding financial instruments)	751	–	–	751

The Group's revenue from external customers (including the revenue from operations which has been classified as discontinued operations as set out in note 16.1) and its non-current assets (other than financial instruments) are divided into the following geographical areas:

	Revenue from external customers (including continuing and discontinued operations)		Non-current assets (other than financial assets)	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
– Hong Kong (place of domicile)	**–**	–	**1,807**	93
– the People's Republic of China (the "**PRC**")	**26,582**	17,489	**102,379**	73,659
– United States	**7,861**	11,536	**13,330**	5,766
– Germany	**7,212**	5,959	**–**	–
– Korea	**20,965**	12,543	**–**	–
– Italy	**5,491**	1,455	**–**	–
– Other locations	**4,059**	3,201	**–**	–
Total	**72,170**	52,183	**117,516**	79,518

The geographical location of customers is based on the location of customers. 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 assets.

For the year ended 31 December 2014, revenue from transactions with two customers from the discontinued operations of lithium-ion power batteries (2013: three customers from the discontinued operations of lithium-ion power batteries) which amounted to 10% or more of the Group's revenue are as follows:

	2014	2013
	HK$'000	*HK$'000*
Customer A	**20,951**	12,543
Customer B *(note 1)*	**7,071**	6,555
Customer C *(note 1)*	**6,323**	11,536
Customer D *(note 2)*	**10,349**	376

Notes:

1. Revenue from these customers were less than 10% of the Group's revenue (including the revenue from operations which has been classified as discontinued operations as set out in note 16.1) for the year ended 31 December 2014.

2. Revenue from this customer was less than 10% of the Group's revenue (including the revenue from operations which has been classified as discontinued operations as set out in note 16.1) for the year ended 31 December 2013.

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

5. Revenue

Revenue from the Group's principal activities, which is also the Group's turnover, represents total invoiced value of goods supplied. Revenue recognised during the year is as follows:

	Continuing operations		Discontinued operations		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales of lithium-ion power batteries	**–**	–	**72,170**	52,183	**72,170**	52,183

6. Loss before income tax

Loss before income tax is arrived at after charging/(crediting):

	Continuing operations		Discontinued operations		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Auditor's remuneration	**1,565**	1,219	**–**	32	**1,565**	1,251
Share-based compensation	**195,756**	94,276	**–**	–	**195,756**	94,276
Depreciation of property, plant and equipment	**5,275**	5,632	**5,607**	5,419	**10,882**	11,051
Amortisation of intangible assets	**–**	–	**4,480**	4,453	**4,480**	4,453
Impairment of property, plant and equipment	**–**	4,235	**–**	–	**–**	4,235
Impairment of goodwill	**1,271**	–	**–**	15,791	**1,271**	15,791
Impairment of intangible assets	**–**	1,446	**–**	–	**–**	1,446
Change in fair value of other financial asset	**(14,000)**	–	**–**	–	**(14,000)**	–
Change in fair value of derivative financial asset	**8,934**	235	**–**	–	**8,934**	235
Impairment of trade receivables	**–**	–	**885**	1,244	**885**	1,244
Impairment of other receivables	**15,001**	–	**3,448**	–	**18,449**	–
Research and development expenses	**96,391**	544	**7,357**	1,036	**103,748**	1,580
Gain on disposal of subsidiaries	**–**	(859)	**–**	–	**–**	(859)
Gain on disposal of property, plant and equipment	**(585)**	(333)	**(142)**	(36)	**(727)**	(369)
Cost of inventories recognised as expenses, including:	**–**	–	**57,848**	33,665	**57,848**	33,665
– Provision for inventories	**–**	–	**–**	1,847	**–**	1,847
Operating lease charges in respect of land and buildings	**8,078**	8,129	**139**	150	**8,217**	8,279

7. Income tax (credit)/expense

For the years ended 31 December 2014 and 2013, 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 years at the rates of taxation prevailing in the countries in which the Group operates. Income tax (credit)/expense for the year was as follows:

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current tax – the PRC						
– Tax for the year	**6**	–	**–**	1,019	**6**	1,019
Deferred tax	**–**	–	**(668)**	(664)	**(668)**	(664)
Income tax (credit)/expense	**6**	–	**(668)**	355	**(662)**	355

8. Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2014 (2013: Nil) and the Company did not declare any interim dividend during the year (2013: Nil).

9. Loss per share

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2014	2013
	HK$'000	*HK$'000*
Loss attributable to owners of the Company for the purpose of basic loss per share		
Continuing operations	**(389,750)**	(162,587)
Discontinued operations	**(25,406)**	(16,499)
Total loss from continuing and discontinued operations	**(415,156)**	(179,086)

	2014	2013
	Number of shares	*Number of shares*
	'000	*'000*
Weighted average number of shares for the purpose of basic loss per share	**11,770,258**	10,028,710

Diluted loss per share amount for both year's continuing and discontinued operations were 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 from continuing operations attributable to owners of the Company.

10. Prepayment and deposits

	2014	2013
	HK$'000	*HK$'000*
Prepayment for investment in a subsidiary *(note)*	**46,800**	–
Prepayment for purchase of property, plant and equipment	**47,654**	–
	94,454	–

Note: For the year ended 31 December 2014, the Group paid HK$46,800,000 for the capital injection to 連雲港正道新能源汽車系統集成有限公司, a wholly-owned subsidiary to be incorporated in the PRC. As at 31 December 2014, the capital verification was in progress. The capital injection to 連雲港正道新能源汽車系統集成有限公司 was completed in January 2015 and this prepayment was then recognised as the investment cost of this subsidiary.

11. Trade receivables

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**–**	33,688
Less: Provision for impairment	**–**	(5,296)
Trade receivables, net	**–**	28,392

The Group normally applies credit terms to its customers according to industry practice together with consideration of their creditability and repayment history. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. Movement in the provision for impairment of trade receivables is as follows:

	2014	2013
	HK$'000	*HK$'000*
At 1 January	**5,296**	10,606
Impairment loss charged to profit or loss	**885**	1,244
Bad debts written off	**–**	(6,849)
Exchange realignment	**117**	295
Reclassify to assets of a disposal company classified as held for sale	**(6,298)**	–
At 31 December	**–**	5,296

At each of the reporting date, the Group's trade receivables were individually and collectively determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised. The Group does not hold any collateral over these balances.

The ageing analysis of the trade receivables of the Group based on the invoice date, is as follows:

	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**–**	16,136
31 – 90 days	**–**	1,524
91 – 180 days	**–**	3,262
Over 180 days	**–**	7,470
At 31 December	**–**	28,392

12. Prepayment, deposits and other receivables

	2014	2013
	HK$'000	*HK$'000*
Prepayments to suppliers	**8**	903
Other receivables	**62,306**	59,868
Other deposits and prepayments	**43,431**	276,667
Prepayment for research and development projects	**23,272**	–
Amounts due from directors	**2,840**	–
	131,857	337,438

13. Other financial asset

	2014	2013
	HK$'000	*HK$'000*
Profit guarantee in relation to the acquisition of GBS	**–**	24,000

In April 2010, the Group entered into an acquisition agreement (as subsequently supplemented by two supplemental agreements) with independent third parties (the "**GBS Vendors**") to acquire the entire equity interest of GBS. Pursuant to the agreements, the GBS Vendors have given a profit guarantee (the "**Profit Guarantee**") to the Group as follows:

(1) for the financial year ending 31 December 2010, the profit before tax of GBS shall not be less than RMB5 million;

(2) for the financial year ending 31 December 2011, the profit before tax of GBS shall not be less than RMB25 million;

(3) for the financial year ending 31 December 2012, the profit before tax of GBS shall not be less than RMB30 million; and

(4) for the financial year ending 31 December 2013, the profit before tax of GBS shall not be less than RMB35 million.

As security for the attainment of the Profit Guarantee, the GBS Vendors have placed 200,000,000 of the Consideration Shares (the "**Retained Shares**") in a custodian account of the Group.

If the profit before tax of GBS recorded for any of the financial years during the profit guaranteed period is less than the amount of the Profit Guarantee given by the GBS Vendors, the Group shall be at liberty and at such time and in such manner which the directors considered to be in the Group's best interests to instruct the GBS Vendors to dispose of the Retained Shares or any part thereof and compensate the Group the shortfall.

The number of Retained Shares to be sold is determined at a share price of the issued ordinary shares of the Company which is (i) HK$0.358 each (the contract price as stated in the acquisition agreement) or (ii) the same as the closing price on 31 December of the relevant financial year in which the Profit Guarantee is to be achieved, whichever is the higher. Any shortfall in the Profit Guarantee will be compensated on a dollar-for-dollar basis, subject to a cap equivalent to 100% of the net proceeds derived from the disposal of the Retained Shares. The Group is not entitled to claim beyond the capped amount if such capped amount is not sufficient to cover the shortfall in the Profit Guarantee.

Pursuant to the actual result of GBS for the years ended 31 December 2010, 2011, 2012 and 2013, the Profit Guarantee was not met. During the year ended 31 December 2014, the Company appointed a placing agent and the Company had unconditional right to instruct the placing agent to dispose of the Retained Shares and retain 100% of the net proceeds of disposal of the Retained Shares. As a result, the Group has derecognised the other financial asset and the Retained Shares were accounted for as an equity instrument. Fair value gain on other financial asset up to the date of derecognition of HK$14,000,000 was recognised in the profit or loss for the year.

14. Trade payables

The ageing analysis of the trade payables of the Group as at 31 December 2014, based on the invoice date, is as follows:

	2014	2013
	HK$'000	*HK$'000*
0 – 180 days	**–**	13,313
Over 180 days	**134**	19,036
	134	32,349

15. Accruals and other payables

	2014	2013
	HK$'000	*HK$'000*
Deposits received from customers	**4,539**	1,534
Accrued staff costs	**5,730**	1,131
Other payables	**30,353**	43,087
Other accrued expenses	**2,254**	3,859
	42,876	49,611

16. Discontinued operations/assets of a disposal company classified as held for sale/liabilities of a disposal company classified as held for sale

As mentioned in note 1, the Group's management committed to dispose of 75% equity interest in GBS as at 31 December 2014.

In accordance with HKFRS 5, the Group has reclassified the assets and liabilities of GBS as at 31 December 2014 as assets/liabilities classified as held for sale in the Group's consolidated statement of financial position. In addition, the discontinued operations of development and manufacturing of lithium-ion power battery represent separate major lines of business, and the operations and cash flows of which can be clearly distinguished from the rest of the Group. The Group has also re-presented the disclosures related to these operations that have been discontinued by the reporting date for the comparatives period. Details of the discontinued operations of development and manufacturing of lithium-ion power battery for the years ended 31 December 2014 and 2013 are set out in note 16.1, and details of the assets/liabilities classified as held for sale as at 31 December 2014 are set out in note 16.2.

16.1 An analysis of the results and cash flows of the discontinued operations for the year ended 31 December 2014, with the comparatives for illustrative purpose, is as follows:

	2014	2013
	HK$'000	*HK$'000*
Revenue	**72,170**	52,183
Cost of sales	**(57,848)**	(33,665)
Gross profit	**14,322**	18,518
Other income	**960**	2,610
Distribution costs	**(3,403)**	(2,970)
General operating expenses	**(22,638)**	(16,210)
Impairment of goodwill	**–**	(15,791)
Finance costs	**(1,239)**	(2,301)
Loss before income tax	**(11,998)**	(16,144)
Income tax credit/(expense)	**668**	(355)
Loss after income tax	**(11,330)**	(16,499)
Loss recognised on the re-measurement to fair value less costs to sell on the assets of a disposal company classified as held for sale	**(14,076)**	–
Loss for the year from discontinued operations (attributable to owners of the Company)	**(25,406)**	(16,499)

16.2 An analysis of the assets and liabilities of a disposal company classified as held for sale as at 31 December 2014 is as follows:

	2014
	HK$'000
Assets of a disposal company classified as held for sale:	
Property, plant and equipment	**28,859**
Intangible assets	**20,908**
Inventories	**34,579**
Trade receivables	**38,328**
Bills receivable	**228**
Prepayment, deposits and other receivables	**9,716**
Pledged bank deposits	**1,891**
Cash and cash equivalents	**1,924**
	136,433

	2014
	HK$'000
Liabilities of a disposal company classified as held for sale:	
Trade payables	**33,940**
Accruals and other payables	**6,071**
Borrowings	**15,254**
Bills payable	**3,782**
Tax payable	**1,297**
Deferred tax liabilities	**3,337**
	63,681

MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION

OVERVIEW

The principal business of the Group during the Year included the environmental automobile and related business (comprising the lithium-ion power battery business, the environmental automobile business, the New Energy Project and the high-tech electric motors vehicles business) and the natural resources business.

During the Year, the Group operated the lithium-ion power 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**”). As the performance of the lithium-ion battery business had fallen short of expectation over the years, the Group had been looking for opportunity to downsize and, if possible, dispose of the business. In August 2014, the Group contracted to dispose of its 75% equity interest in GBS (the “**GBS Disposal**”).

Since the development and manufacturing of lithium-ion power battery represented the major source of income of the Group's business during the Year and a legally-binding agreement for the GBS Disposal was entered into by the Group, the Board considered that the GBS Disposal was highly probable as at 31 December 2014. Accordingly, the Group reclassified, in accordance with HKFRS 5, the income and expenses of GBS for the years ended 31 December 2013 and 2014 as discontinued operations in the Group's consolidated statement of comprehensive income and the assets and liabilities of GBS as at 31 December 2014 as assets/liabilities of a disposal company classified as held for sale in the Group's consolidated statement of financial position. Further details regarding the discontinued operations and assets/liabilities of a disposal company classified as held for sale are set out in notes 16.1 and 16.2.

The Group's turnover and loss attributable to shareholders from continuing operations for the Year were nil (2013: nil) and HK$415.2 million (2013: HK$179.09 million) respectively. The loss was mainly attributable to general operating expenses and loss for the Year from discontinued operations.

The general operating expenses from continuing operations for the Year increased to HK$413.88 million (2013: HK$173.65 million) which consisted of share-based compensation of HK$195.76 million (2013:HK$94.28 million)), research and development expense of HK$96.39 million (2013: HK$0.54 million), employee salary and benefit expenses of HK$44.22 million (2013:HK$38.11 million) and depreciation expenses of HK$5.28 million (2013: HK$5.63 million).

The loss for the Year from discontinued operations was HK$25.41 million as compared to HK$16.50 million in 2013.

(a) Environmental automobile and related business

Lithium-ion power Battery Business

During the Year, the Group operated the lithium-ion power battery business through the Company's wholly owned subsidiary, GBS.

GBS was acquired by the Group in October 2010 pursuant to the acquisition agreement dated 18 April 2010 (as supplemented) (the "**GBS Acquisition Agreement**") from Headland Co., Limited ("**Headland**"), Ms Wenren Hongyan（聞人紅雁）("**WHY**") and Mr Wenren Hongquan（聞人紅權）("**WHQ**") (the "**GBS Vendors**"). The consideration of RMB180 million paid by the Group under the GBS Acquisition Agreement was settled partly in cash and partly by the allotment and issue of an aggregate of 457,324,692 shares in the Company (the "**Consideration Shares**") as consideration shares, credited as fully paid, to the GBS Vendors. As security for the attainment of certain profits guarantee by the GBS Vendors, a total of 200,000,000 Consideration Shares (the "**Retained Shares**") were then retained by the Group pursuant to the terms of the GBS Acquisition Agreement.

Since the first half of 2011, the operating environment of the business carried on by GBS has been testing and falling short of the Group's expectation. This was due partly to the global economic downturn, and the situation was aggravated by the mounting auto incidents in the PRC and the faulty electric vehicle batteries recalled by certain battery manufacturer which had raised safety concerns, cast doubts on the quality of lithium-ion battery and related products and shaken confidence of consumers and potential customers generally. Such prevailing operating conditions have caused the continuing loss in GBS's automobile battery business amidst uncertain prospect. The profits guarantee given by the GBS Vendors was not fulfilled and the Group had rights under the GBS Acquisition Agreement to sell and dispose of the Retained Shares to recoup shortfall in the amount of the profits guaranteed to the extent possible.

As GBS had been contributing accumulated losses to the Group over the years and the GBS Vendors had expressed interest in acquiring a majority stake in, and continuing the operation of, GBS, the Group had on 18 August 2014 entered into a share transfer agreement (the "**GBS Share Transfer Agreement**") with the GBS Vendors for the disposal (the "**GBS Disposal**") of 75% equity interest in GBS to the GBS Vendors. It was contractually agreed under the GBS Share Transfer Agreement that the GBS Disposal by the Group should be made in return for the net proceeds from the disposal of an aggregate of 257,324,692 Shares (the "**Subject Shares**") owned by the GBS Vendors (as to 123,901,839 Subject Shares held by Headland, 87,361,733 Subject Shares held by WHY and 46,061,120 Shares held by WHQ). The settlement of the consideration for the GBS Disposal was therefore, in substance, in the form of cash but on a deferred basis. The GBS Disposal was approved by the shareholders of the Company at the special general meeting held on 5 January 2015, and was completed on 10 January 2015. The net proceeds ultimately derived by the Group from the GBS Disposal were approximately HK$43.1 million. For details of the GBS Disposal (including but not limited to the mechanism of determining the consideration for the GBS Disposal and the related placing arrangements for obtaining the proceeds of the GBS Disposal), please refer to the announcements dated 10 October and 12 December 2014, the circular dated 16 December 2014, and the subsequent announcements dated 11 and 14 January 2015 of the Company.

The GBS Disposal has released the Group from further subsidizing substantially this business and allows the Group to reallocate and deploy its resources to other more promising business segments of the Group.

As disclosed above, the Group has reclassified the income and expenses of GBS for the years ended 31 December 2013 and 2014 as discontinued operations in the Group's consolidated statement of comprehensive income in accordance with HKFRS 5. For 2014, the turnover and the loss for the Year from discontinued operations were approximately HK$72.17 million and HK$25.41 million respectively whereas the turnover was HK$52.18 million and loss from discontinued operations was HK$16.50 million in 2013. The discontinued loss for the Year was mainly attributable to the loss recognised on the re-measurement to fair value less costs to sell on the assets that classified as held for sale of HK$14.08 million (2013: Nil), cost of inventories recognized as expenses of HK$57.85 million (2013: HK$33.67 million) and general operating expenses of HK$22.64 million (2013: HK$16.21 million).

New Energy Project

The Group has been engaging in the promotion and development of a new energy project (which involved the construction of production facilities for the production of key new energy automobile components including battery materials, super batteries, electric control systems and electrolyte for use in new energy automobiles) (the "**New Energy Project**") through a project company (namely, 連雲港正道新能源有限公司 (Hybrid Kinetic (Lianyuangang) New Energy Limited, Inc.* (the "**Project Company**")) established on 29 March 2013 and based in 連雲港經濟技術開發區 (Lianyungang Economic and Technological Development Zone*) ("**LETDZ**").

The Project Company has an operating period of 20 years from the date of its establishment. As at 31 December 2014, the total investment amount of the Project Company was US$81,000,000 (equivalent to approximately HK$631,800,000). The total registered capital of the Project Company was US$27,000,000 (equivalent to approximately HK$210,600,000), as to US$21,000,000 (equivalent to approximately HK$163,800,000) contributed by the Group and as to US$6,000,000 (equivalent to approximately HK$46,800,000) by 江蘇新海連發展集團有限公司 (Jiangsu NewHeadLine Development Group Co., Ltd.*), representing approximately 77.78% and 22.22% of the total registered capital of the Project Company.

The New Energy Project is an important development in the LETDZ as it is expected to bring positive economic and social benefits to the LETDZ. The government officials of the LETDZ are enthusiastic and have been supportive to the Project Company in facilitating the development of the New Energy Project.

During the Year, the Project Company had completed the production facilities with an area of approximately 5,300 square meters (comprising a production centre of approximately 3,300 square meters and the remaining area is allocated for office, a laboratory, an inspection centre and other uses). The Project Company is expected to commence trial or initial production in mid-2015.

In order to comply with the environmental laws and regulations and to facilitate trial or initial production of the New Energy Project, a consultant was engaged to develop certain know-how, technology related to the production and manufacturing of nanographene and battery materials for the Project Company. The Group has identified, and will set in motion the application of, a proven technology for the production of single and few-layer graphene（單層石墨烯）. With the completion of the construction of production facilities of the Project Company, the Project Company's capability and production capacity to commence trial or initial production of single and few-layer grapheme will be greatly enhanced.

During the Year, the turnover was nil (2013: nil) and loss of the Project Company under the advanced batteries material business segment in the Group's financial statement amounted to HK$12.84 million (2013: HK$4.85 million). The loss was mainly due to the impairment of goodwill and change in fair value of derivative financial asset in the Year.

High-Tech Electric Motors Vehicles

This is a new business segment for the Year. The Group engages in the design, production and sales of high-tech electric motor vehicles using advanced battery. In 2014, this segment recorded no turnover and the loss was HK$99.56 million which was mainly attributable to the research and development expenses in electric bus amounted to approximately HK$96.39 million.

With the Group's research and development capability, the Group successfully designed two prototype buses for public transport, which are ready to be launched in the market and had been well received at road shows in certain cities in the PRC.

In the Year, the Group successfully secured a substantial order for electric buses from an independent dealer engaged in transportation solutions in PRC. The electric buses were contracted to be used for designated municipalities and transportation authorities. The delivery of the electric buses, which are in stages, has commenced and will become a new income stream for the Group.

In order to compete with other companies manufacturing electric buses in China, the Group has used its best endeavours to improve the quality of electric bus. The Group entered into a collaboration agreement with Dandong Huanghai Automobile Company Limited*（丹東黃海汽車有限責任公司）("**Dandong Automobile**") on the joint development of a series of auto products for the purpose of designing and developing two prototypes of 12-metre lightweight monocoque electric bus suitable for public transportation. The collaboration allows both the Group and Dangdong Automobile to complement each other in their respective resource advantage. The Board is of the view that the project, if successfully, will present a wealth of attractive business opportunities to both the Group and Dangdong Automobile.

The Group also entered into a supply agreement with Xalt Energy MI, LLC for the supply of new generation high-power rapid charging lithium titanate (LTO) battery cells specified and tailored to the Group's production of high-performance rapid charging electric bus. A LTO battery is an advanced battery which makes fast charging possible and provides high currents when needed, which is a perfect fit for electric bus application so that the electric bus can be fully charges during intervals between trips. In addition, LTO battery has longer life cycle and can work under severe weather conditions and has lower self-discharging rate than lithium-ion battery. Under the supply agreement, the Group is entitled to obtain an exclusive right to purchase LTO battery cells if the minimum volume of order as committed by the Group is fulfilled. The Board considers the Group's development of electric buses, if equipped with Xalt LTO battery cells, are expected to entail massive market potentials as well as business and investment opportunities for the Group. Corresponding to the supply volume, the Group plans to start production of electric buses in 2015, with the escalating output capacity of 2,000 units in 2015, 5,000 units in 2016 and 10,000 units in 2017.

Further, identifying and securing a quality supplier for the Group's automotive innovations and products is essential to the building of a solid reputation for quality hybrid electric vehicle solutions for the Group and to enhance the competitiveness in the electric bus market in China.

Environmental Automobile Business

The Group engages in the research and development of environmental automobile primarily through its U.S. subsidiary, Hybrid Kinetic Motors Corp. For the Year, this business segment recorded a loss of approximately HK$1.27 million (2013: HK$14.09 million). The loss was mainly attributable to general operating expenses.

With its research and development capacity, the Group has pursued the business adventure in the design, production and sales of electric buses in China under a new segment of high-tech electric motor vehicles. Given the growing demand for high-tech, clean and sustainable automobiles, the Group will continue its effort in exploring other type of environmental automobile including private car, taxi and mini truck.

(b) 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**"), a subsidiary of the Company. For the Year, this business segment recorded no turnover (2013: Nil), and a loss of HK$20.41 million (2013: HK$9.82 million) which was mainly attributable to impairment of other receivables and general operating expenses incurred during the Year.

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

PROSPECTS

There has been substantial development in the technology of rechargeable battery in recent years. The Board considers that significant advance in battery architecture and the exploration and development of highly advanced new battery materials could be breakthrough for both the automobile battery business and the environmental automobile business of the Group, and will make dedicated efforts and allocate resources towards this direction.

The participation of the Group, through its investment in the Project Company in the development of the New Energy Project, and completion of the construction of production facilities by the Project Company for producing key new energy automobile components (including battery materials, super batteries, electric control systems, electrolyte and in particular, single layer grapheme（單層石墨烯）, an ideal material for super batteries) which will greatly enhance the Group's capability and production capacity for the manufacture of more advanced and competitive new energy automobile components are considered by the Board as an important milestone for the Group in the development of its environmental automobile and related business.

The demand for high-tech, clean and sustainable transportation has been growing under the global trend of urbanization and proactive impositions of environmental regulations. Given the positive response in respect of the electric buses designed by the Group, the Board is optimistic that the Group's business venture in the development of electric buses will entail massive market potentials as well as business and investment opportunities for the Group.

As regards the natural resources business, while the Group will try optimize its development potential, the Group will not preclude the possibility of changing its business plan for this line of business so as to best align with the overall and long-term goals of the Group.

MATERIAL ACQUISITION OR DISPOSAL

Other than the entering into by the Group of the GBS Share Transfer Agreement in August 2014 in respect of the GBS Disposal (which was completed on 10 January 2015), the Group did not have material acquisition or disposal during the Year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

FUND RAISING ACTIVITIES AND USE OF PROCEEDS DURING THE YEAR

During the Year, the Company had undertaken the following fund raising activities:

Event	Net proceeds raised and intended use of net proceeds	Amount utilized as at 31 December 2014 and actual use of net proceeds
(a) Subscription of new shares in the Company completed on 8 May 2014 (the details of which are disclosed in the Company's announcements dated 17 April 2014 and 8 May 2014)	About HK$197,475,000, as to (i) about HK$125,000,000 to pursue suitable acquisition and/or investment opportunities that either supplement the existing businesses, or fit into the long term strategy, of the Group; and (ii) the remaining net proceeds of about HK$72,475,000, and to the extent that the net proceeds as stated in (i) above are not applied for acquisition and/or investment purposes, they would be utilized to fund the general working capital of the Group.	Fully utilized, as to about HK$125 million was utilized to invest in high-tech motor vehicles and the balance was utilized to fund the general working capital of the Group (which were in line with the intended use of such net proceeds as previously disclosed by the Company).
(b) Subscription of new shares in the Company completed on 16 December 2014 (the details of which are disclosed in the Company's announcements dated 2 December 2014 and 16 December 2014)	About HK$284,437,000, as to (i) about 80% (about HK$227,549,600) to pursue acquisition and/or investment opportunities in the research and development, manufacture and/or promotion of high-tech motor vehicles in the PRC; and (ii) as to the remaining net proceeds, and to the extent that the net proceeds as stated in (i) above are not applied for acquisition and/or investment purposes, they would be utilized to fund the general working capital of the Group.	Partially utilized, as to about HK$185 million was utilized to invest in high-tech motor vehicles and as to about HK$2 million was utilized to fund the general working capital of the Group (which were in line with the intended use of such net proceeds as previously disclosed by the Company).

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2014, the total equity of the Group amounted to approximately HK$612.4 million (31 December 2013: HK$641.3 million). The gearing ratio of the Group as of 31 December 2014 measured in terms of total liabilities divided by shareholders' equity was approximately 18.52% (31 December 2013: 31.27%). As of 31 December 2014, net current assets of the Group were approximately HK$483.4 million (31 December 2013: HK$555.9 million). The pledged bank deposits were approximately HK$0.8 million (31 December 2013: HK$0.8 million) while the cash and cash equivalents amounted to HK$202.1 million (31 December 2013: HK$147.9 million). The short-term investments was approximately HK$11.3 million (31 December 2013: HK$8.9 million and structured bank deposits was approximately HK$100.9 million (31 December 2013: nil)). The Group also had outstanding borrowings of approximately HK$0.2 million (31 December 2013: HK$7.8 million).

PLEDGE OF THE GROUP'S ASSETS

As of 31 December 2014, the Group had pledged its bank deposits of HK$0.8 million (31 December 2013: HK$0.8 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 Year, almost all of the income and expenditure of the Group were denominated in Renminbi, Hong Kong dollar and/or United States dollars, and the Group had no significant exposure to foreign exchange fluctuations and therefore, had not taken any financial instruments for hedging purpose.

OTHER INFORMATION AND EVENTS AFTER THE REPORTING PERIOD

GBS Disposal

On 10 January 2015 (as disclosed in the Company's announcement dated 11 January 2015), the Group completed the GBS Disposal, which constituted a very substantial disposal and connected transaction of the Company, pursuant to the GBS Share Transfer Agreement disclosed under the paragraph headed *"Environmental Automobile and Related Business – Lithium-ion power Battery Business"* above.

Disposal of the Subject Shares and the Retained Shares

As disclosed in the Company's announcement dated 12 December 2014 and circular dated 16 December 2014, a placing agent was engaged for the disposal by way of placing of the Subject Shares following completion of the GBS Disposal and the Retained Shares retained by the Group as the profits guaranteed under the GBS Acquisition Agreement were not fulfilled. As disclosed in the Company's announcement dated 14 January 2015, the Subject Shares and the Retained Shares were successfully placed by the placing agent to four individual placees at HK$0.172 each on 12 January 2015 with net proceeds of approximately HK$76,600,000 derived from the placing (as to approximately HK$43,100,000 and HK$33,500,000 respectively from the Subject Shares and the Retained Shares).

Subscription of new shares in the Company

As announced by the Company on 3 February 2015, the subscriptions by 23 independent subscribers of an aggregate of 697,946,951 new shares in the Company at the subscription price of HK$0.175 each pursuant to 23 subscription agreements entered into with the Company on 23 January 2015 were completed. The net proceeds raised from the subscriptions amounted to approximately HK$121,740,716. The Company intends to use the net proceeds to pursue acquisition and/or investment opportunities in the research and development, manufacture and/or operation of high-tech motor vehicles in the PRC.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to ensure better transparency and protection of the interests of the Company and its shareholders as a whole and to enhance corporate value and accountability. The Company wishes to highlight that the Board will continue to devote efforts in ensuring effective leadership and control of the Company and the transparency and accountability of all operations.

Throughout the Year, the Company had adopted and complied with the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

MODEL CODE FOR 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. All Directors, after specific enquiries by the Company, confirmed to the Company their compliance with the required standards set out in the Model Code during the Year.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company had reviewed and discussed with the management of the Company regarding the consolidated financial statements of the Group for the Year.

SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual report of the Company for the Year containing all the information required by the Listing Rules will be despatched to shareholders of the Company and published on the websites of the Company (http://hk1188.etnet.com.hk) and the Stock Exchange in due course.

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

Hong Kong, 31 March 2015

As at the date of this announcement, the Board comprises ten executive Directors, namely Dr Yeung Yung (Chairman), Dr Huang Chunhua (Deputy Chairman), Dr Wang Chuantao (Chief Executive Officer), Mr Hui Wing Sang, Wilson (Deputy Chairman), Mr Liu Stepehen Quan, Dr Zhu Shengliang, Mr Xu Jianguo, 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*