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 2015

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 2015 (the "Period") together with the comparative figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	*3*	**26,987**	–
Cost of sales		**(26,459)**	–
Gross profit		**528**	–
Other income		**5,155**	2,270
Distribution costs and general operating expenses		**(77,859)**	(49,482)
Change in fair value of other financial asset		**–**	(2,000)
Finance costs		**–**	(286)
Share of result of an associate		**(425)**	–

	Notes	Six months ended 30 June 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Loss before income tax	*5*	**(72,601)**	(49,498)
Income tax expense	*6*	**(138)**	–
Loss for the period from continuing operations		**(72,739)**	(49,498)
Discontinued operations			
Loss for the period from discontinued operations	*7*	**(11,034)**	(10,210)
Loss for the period		**(83,773)**	(59,708)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries		**(2,245)**	(5,259)
Release of translation reserve to profit or loss upon disposal of a subsidiary		**(3,938)**	–
Other comprehensive income for the period		**(6,183)**	(5,259)
Total comprehensive income for the period		**(89,956)**	(64,967)
Loss for the period attributable to:			
Owners of the Company		**(80,924)**	(57,891)
Non-controlling interests		**(2,849)**	(1,817)
		(83,773)	(59,708)

	Notes	Six months ended 30 June 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Total comprehensive income for the period attributable to:			
Owners of the Company		**(87,113)**	(61,176)
Non-controlling interests		**(2,843)**	(3,791)
		(89,956)	(64,967)
Loss per share for loss attributable to owners of the Company during the period	*8*		
From continuing and discontinued operations			
Loss per share – basic		**HK (0.53) cent**	HK (0.53) cent
Loss per share – diluted		**N/A**	N/A
From continuing operations			
Loss per share – basic		**HK (0.46) cent**	HK (0.44) cent
Loss per share – diluted		**N/A**	N/A
From discontinued operations			
Loss per share – basic		**HK (0.07) cent**	HK (0.09) cent
Loss per share – diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	As at 30 June 2015 HK$'000 (Unaudited)	As at 31 December 2014 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*10*	**38,080**	23,062
Interest in an associate		**6,807**	–
Available-for-sale financial asset		**15,156**	–
Prepayments and deposits		**47,741**	94,454
Other investment		**12,212**	11,479
		119,996	128,995
Current assets			
Inventories		**17,987**	–
Trade receivables	*11*	**18,945**	–
Prepayments, deposits and other receivables	*12*	**578,318**	131,857
Amount due from a non-controlling shareholder of a subsidiary		**2,627**	2,624
Derivative financial asset		**2,547**	4,326
Short-term investments		**–**	11,346
Structured bank deposits		**479,940**	100,856
Pledged bank deposits		**807**	807
Cash and cash equivalents		**1,242,282**	202,071
		2,343,453	453,887
Assets of a disposal company classified as held for sale		**–**	136,433
		2,343,453	590,320

	Notes	As at 30 June 2015 HK$'000 (Unaudited)	As at 31 December 2014 HK$'000 (Audited)
Current liabilities			
Trade payables	*13*	**15,494**	134
Accruals and other payables		**29,477**	42,876
Borrowings		**207**	207
Tax payable		**142**	4
		45,320	43,221
Liabilities of a disposal company classified as held for sale		**–**	63,681
		45,320	106,902
Net current assets		**2,298,133**	483,418
Total assets less current liabilities		**2,418,129**	612,413
Net assets		**2,418,129**	612,413
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**2,008,135**	1,418,714
Reserves		**377,564**	(841,574)
		2,385,699	577,140
Non-controlling interests		**32,430**	35,273
Total equity		**2,418,129**	612,413

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

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 statements, and should be read in conjunction with the Group's annual financial statements of the Company for the year ended 31 December 2014 (the "2014 Annual Financial Statements").

The Unaudited Interim Financial Information for the six months ended 30 June 2015 was approved for issue by the board of directors on 31 August 2015.

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 2014 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, after allowance for returns and discounts (net of value added tax).

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) development of high-tech electric motor vehicles;

(ii) development of advanced batteries materials;

(iii) development of hybrid vehicles; and

(iv) natural resources business.

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

During the six months ended 30 June 2015 and year ended 31 December 2014, 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 Unaudited Interim Financial Information and not presented in the segment information. Further details regarding the results of these discontinued operations are set out in note 7.

For the six months ended 30 June 2015

	High-tech electric motor vehicles business *HK$'000* **(Unaudited)**	**Advanced batteries materials business** *HK$'000* **(Unaudited)**	**Hybrid vehicles business** *HK$'000* **(Unaudited)**	**Natural resources business** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Revenue					
Sales to external customers	**26,987**	**–**	**–**	**–**	**26,987**
Segment results	**(2,050)**	**(4,751)**	**–**	**–**	**(6,801)**
Unallocated corporate income and expense, net					**(65,800)**
Loss before income tax					**(72,601)**
Income tax expense					**(138)**
Loss for the period from continuing operations					**(72,739)**
Loss for the period from discontinued operations *(note 7)*					**(11,034)**
Loss for the period					**(83,773)**

As at 30 June 2015

	High-tech electric motor vehicles business *HK$'000* (Unaudited)	Advanced batteries materials business *HK$'000* (Unaudited)	Hybrid vehicles business *HK$'000* (Unaudited)	Natural resources business *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Segment assets	**548,051**	**27,606**	**955**	**6,238**	**582,850**
Amount due from a non-controlling shareholder of a subsidiary					**2,627**
Structured bank deposits					**479,940**
Cash and cash equivalents held by the Group's headquarter					**1,154,110**
Unallocated corporate assets					**243,922**
Total assets					**2,463,449**
Segment liabilities	**25,167**	**255**	**7,908**	**9,101**	**42,431**
Borrowings					**207**
Tax payable					**142**
Unallocated corporate liabilities					**2,540**
Total liabilities					**45,320**

For the six months ended 30 June 2014

	High-tech electric motor vehicles business HK$'000 (Unaudited)	Advanced batteries materials business HK$'000 (Unaudited)	Hybrid vehicles business HK$'000 (Unaudited)	Natural resources business HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Revenue					
Sales to external customers	–	–	–	–	–
Segment results	–	(1,926)	(7,434)	(4,926)	(14,286)
Unallocated corporate income and expense, net					(33,582)
Share-based compensation					(1,630)
Loss before income tax					(49,498)
Income tax expense					–
Loss for the period from continuing operations					(49,498)
Loss for the period from discontinued operations *(note 7)*					(10,210)
					(59,708)

As at 31 December 2014

	High-tech electric motor vehicles business *HK$'000* (Audited)	Advanced batteries materials business *HK$'000* (Audited)	Hybrid vehicles business *HK$'000* (Audited)	Natural resources business *HK$'000* (Audited)	Total *HK$'000* (Audited)
Segment assets	111,133	41,311	1,010	8,233	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					136,433
Unallocated corporate assets					132,959
Total assets					719,315
Segment liabilities	4,548	254	7,894	9,084	21,780
Liabilities of a disposal company classified as held for sale					63,681
Borrowings					207
Tax payable					4
Unallocated corporate liabilities					21,230
Total liabilities					106,902

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

At 30 June 2015, non-current assets (other than financial instruments) of HK$1,604,000 (31 December 2014: HK$1,807,000), HK$73,363,000 (31 December 2014: HK$102,379,000) and HK$17,661,000 (31 December 2014: HK$13,330,000) are located in Hong Kong, the People's Republic of China (the "PRC") and the United States respectively.

The geographical location of non-current assets (other than financial instruments) is based on the physical location of the assets.

5. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Loss before income tax is arrived after charging:		
Depreciation of property, plant and equipment	**3,214**	1,819
Change in fair value of other financial asset	**–**	2,000
Change in fair value of derivative financial asset	**1,779**	4,151
Operating lease charges in respect of land and buildings	**2,406**	2,339
Employee benefit expense (including directors' emoluments):		
Wages and salaries	**28,084**	19,008
Pension costs – defined contribution plans	**366**	374
Other benefits	**861**	381
Share-based compensation	**–**	1,630
	29,311	21,393

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Current tax – PRC Enterprise Income Tax	**138**	–

For the six months ended 30 June 2015 and 2014, no provision for Hong Kong profits tax has been made 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

The Group's management committed to dispose of 75% equity interest in Zhejiang GBS Energy Co., Ltd. ("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 represents separate major line 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. The disposal of GBS was completed on 10 January 2015 and GBS ceased to be a subsidiary of the Group with effect from that date. For the six months ended 30 June 2015, the loss on these discontinued operations amounted to HK$11,034,000. Upon completion of disposal of GBS, the Group has recognised a loss of HK$10,635,000 in respect of disposal of a subsidiary.

Details of the discontinued operations of development and manufacturing of lithium-ion power battery for the six months ended 30 June 2015 and 2014 are set out as below.

An analysis of the results of the discontinued operations for the six months ended 30 June 2015, with the comparatives for illustrative purpose, is as follows:

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	**7,053**	25,976
Cost of sales	**(5,750)**	(21,873)
Gross profit	**1,303**	4,103
Other income	**43**	564
Distribution costs and general operating expenses	**(1,691)**	(14,462)
Finance costs	**(110)**	(750)
Loss before income tax	**(455)**	(10,545)
Loss on disposal of a subsidiary *(note 15)*	**(10,635)**	–
Income tax credit	**56**	335
Loss for the period from discontinued operations (attributable to owners of the Company)	**(11,034)**	(10,210)

8. LOSS PER SHARE

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

Loss

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company for the purpose of basic loss per share		
Continuing operations	**(69,890)**	(47,681)
Discontinued operations	**(11,034)**	(10,210)
Total loss from continuing and discontinued operations	**(80,924)**	(57,891)

Number of shares

	2015	2014
	Number of shares	Number of shares
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of shares for the purpose of basic loss per share	**15,181,898**	10,986,101

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 declare the payment of an interim dividend for the six months ended 30 June 2015 (Six months ended 30 June 2014: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired and disposed of property, plant and equipment of HK$19,073,000 and nil respectively (Six months ended 30 June 2014: HK$9,625,000 and HK$174,000).

11. TRADE RECEIVABLES

As at 30 June 2015, the ageing analysis of the trade receivables (net of impairment) of the Group was as follows:

	As at 30 June 2015	As at 31 December 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**18,945**	–

The average credit period on sales of goods is 5 days from the invoice date.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2015	As at 31 December 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Prepayments to suppliers	**363,157**	8
Other receivables *(note 12.1)*	**149,347**	62,306
Other deposits and prepayments	**33,989**	43,431
Prepayment for research and development projects	**31,030**	23,272
Amounts due from directors *(note 12.2)*	**795**	2,840
	578,318	131,857

Notes:

12.1 Within the other receivables, a balance of HK$50,520,000 (31 December 2014: nil) carries interest rate at 6% per annum, repayable within one year and is secured by equity interest of an unlisted limited liability company held by the shareholders of the borrower and personal guarantees from the shareholders of the borrower.

Save as disclosed above, all the other receivable balances are interest-free, unsecured and repayable within one year.

12.2 The amounts due from directors are interest-free, unsecured and repayable on demand.

13. TRADE PAYABLES

As at 30 June 2015, the ageing analysis of the trade payables of the Group was as follows:

	As at 30 June 2015	As at 31 December 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 180 days	**15,494**	–
Over 180 days	**–**	134
	15,494	134

14. SHARE CAPITAL

	At 30 June 2015 (Unaudited) Number of shares	Amount HK$'000	At 31 December 2014 (Audited) Number of shares	Amount HK$'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	**14,187,144,756**	**1,418,714**	10,411,159,756	1,041,116
Subscription of new shares during the period/year *(note (i))*	**5,169,214,991**	**516,922**	3,759,985,000	375,998
Shares issued from the share option scheme *(note (ii))*	**724,992,000**	**72,499**	16,000,000	1,600
At end of period/year	**20,081,351,747**	**2,008,135**	14,187,144,756	1,418,714

Notes:

(i) **For the six months ended 30 June 2015**

On 23 January 2015, the Company entered into subscription agreements with 23 subscribers pursuant to which the Company has conditionally agreed to allot and issue, and the subscribers have conditionally agreed to subscribe an aggregate of 697,946,951 new shares at the subscription price of HK$0.175 per share. The subscription of shares was completed on 3 February 2015 and the proceeds have been received by the Company.

On 22 April 2015, the Company entered into the placing agreement with the placing agent pursuant to which the Company conditionally agreed to place, through the placing agent, on a best effort basis, up to 1,479,714,000 new shares to not less than six independent placees at the placing price of HK$0.37 per Placing Share. The placing of shares was completed on 22 June 2015 and the proceeds have been received by the Company.

On 22 April 2015, the Company entered into 27 subscription agreements with various subscribers, all are independent third parties, pursuant to which the subscribers conditionally agree to subscribe for, and the Company conditionally agreed to allot and issue, an aggregate of 2,991,554,040 new shares at the subscription price of HK$0.37 per subscription share. The subscription of shares was completed on 22 June 2015 and the proceeds have been received by the Company.

For the year ended 31 December 2014

On 17 April 2014, the Company entered into agreements with 31 subscribers pursuant to which the subscribers agreed to subscribe for, an aggregate of 2,079,750,000 new shares at the subscription price of HK$0.10 per subscription share. On 7 May 2014, 2 individual subscribers indicated to the Company of their intention to withdraw their respective subscription agreements, which involved the cancellation of the subscription of an aggregate of 100,000,000 subscription share, by entering into a cancellation agreement with each of the outgoing subscribers. On 8 May 2014, 29 subscribers completed the subscription of aggregate of 1,979,750,000 shares and the proceeds have been received by the Company.

On 2 December 2014, the Company entered into agreements with 21 subscribers pursuant to which the subscribers agreed to subscribe for, an aggregate of 1,780,235,000 new shares at the subscription price of HK$0.16 per subscription share. The subscription of shares was completed on 16 December 2014 and the proceeds have been received by the Company.

(ii) During the six months ended 30 June 2015 and year ended 31 December 2014, the issued share capital of the Company was increased due to the exercise of share options by directors, employees and other eligible persons (31 December 2014: exercise of share options by directors and other eligible persons) of the Group. The shares issued during the period/year in relation to share options exercised have the same rights as other ordinary shares of the Company in issue.

15. DISPOSAL OF A SUBSIDIARY

As mentioned in note 7, the Group entered into an agreement to dispose of the Group's 75% equity interest in GBS. The disposal of GBS was completed on 10 January 2015. The net assets of GBS at the date of disposal were as follows:

	Carrying amounts *HK$'000* (Unaudited)
Net assets disposed of:	
Property, plant and equipment	28,440
Intangible assets	20,535
Inventories	34,495
Trade receivables	40,365
Bills receivables	783
Prepayments, deposits and other receivables	18,066
Cash and cash equivalents	2,580
Trade payables	(35,032)
Bills payable	(3,789)
Accruals and other payables	(8,567)
Borrowings	(20,840)
Amount due to remaining group	(14,646)
Tax payables	(1,299)
Deferred tax liabilities	(3,281)
	57,810
Release of translation reserve upon disposal of a subsidiary	(3,938)
Written off of amount due to remaining group	14,646
Fair value of retained interest which become interest in an associate	(7,232)
Transaction costs	1,843
Loss on disposal of a subsidiary *(note 7)*	(10,635)
Total consideration	52,494
Satisfied by subject shares *(note)*	52,494

Note:

Subject shares represented an aggregate of 257,324,692 shares of the Company held by the purchasers.

GBS contributed revenue of HK$7,053,000 and loss before income tax of HK$455,000 to the Group for the period from 1 January 2015 to 10 January 2015 (being the effective of disposal). After completion of the disposal, GBS became an associate of the Group with 25% effective interests held by the Group.

16. CAPITAL COMMITMENT

As at 30 June 2015, the Group has the following capital commitments:

	As at 30 June 2015	As at 31 December 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted but not provided for		
– Establishment of a subsidiaries in the PRC	**6,315**	6,304
– Purchase of property, plant and equipment	**14,777**	14,750
– Research and development projects	**45,377**	17,450
	66,469	38,504

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The principal business of the Group during the Period includes the environmental automobile and related business (comprising the high-tech electric motor vehicles business and the New Energy Project).

The Group's turnover and loss attributable to shareholders from continuing operations for the Period amounted to HK$26.99 million (2014: Nil) and HK$80.9 million (2014: HK$57.89 million) respectively. The loss for the Period was mainly attributable to general operating expenses and loss for the Period from discontinued operations.

The general operating expenses from continuing operations increased to HK$77.8 million (2014: HK$49.5 million), which consisted of, among others, the legal and professional fees of HK$12.8 million (2014: HK$1.7 million), depreciation expenses of HK$3.2 million (2014: HK$1.8 million) and overall employment expenses including salary expenses, retirement and pension contribution and staff benefit of HK$29.3 million (2014: HK$19.8 million).

The loss for the Period from discontinued operations was HK$11.0 million as compared to HK$10.2 million for the period ended 30 June 2014. An analysis of the results of the discontinued operations is set out in note 7 in this announcement.

High-tech electric motor vehicles business

The Group has endeavoured to become a pioneer in the design, development and manufacture of zero-emission electric motor vehicles with advanced technology and tremendous potential to improve energy efficiency and emphasis was placed on electric buses during the Period. During the Period, the manufacturing of electric buses had mainly been undertaken by processing plant（代工廠）selected by the Group. The Group engages in its high-tech electric motor vehicles business through the Company's wholly owned subsidiary, 連雲港正強新能源汽車銷售有限公司 (Lianyuangang Zheng Qiang New Energy Motors Sales Co., Ltd.*). For the Period, the turnover and the loss of this segment were approximately HK$26.98 million (2014: nil) and HK$2.05 million (2014: nil).

New Energy Project

The Group has been engaging in the promotion and development of a new energy project (which involved 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") since 2013 through 連雲港正道新能源有限公司 (Hybrid Kinetic (Lianyuangang) New Energy Limited, Inc.*） (the "Project Company"). The Project Company is based in 連雲港經濟技術開發區 (Lianyuangang Economic and Technological Development Zone*)) and the Group holds approximately 77.78% of its total registered capital of US$27,000,000. The Project Company commenced trial production of single and few-layer graphene（單層石墨烯）in July 2015. Graphene is an ideal material for super batteries（ 超級電池）, electronic traction motor（電機）and power electronic system（電控系統）.

In the pursuit of technological and socially responsible innovations for new energy products, the Project Company and Angstron Holdings Corporation (now known as HK Graphene Technology Corporation) ("HK Graphene"), a subsidiary of the Company in the United States) have cooperated in the research and development of graphene super batteries（ 石墨烯超級電池）, which possess relatively higher energy and power density and long charge and discharge life cycle, have a charging rate which is much faster than normal batteries and can function normally under severe weather.

As technological protection is as important as technological innovation, HK Graphene has made an application for patent registration in the United States in respect of its proprietary interest in an invention (namely, "Nanoporous Graphene Nanowires and Producing Methods and Application of Same（納米多孔石墨烯的製造方式及應用）), which is pending approval by the US Patent and Trademark Office. The Invention relates generally to nanocarbon materials, and more particularly to a porous graphene nanowire material with a pore-rich structure, production methods and applications of the porous graphene nanowire material. Porous graphene nanowires can be used as an electrochemical energy storage material, carriers of catalysts, a conductive material, an adsorption material, a desorption material, or the like. The application of the invention in the manufacture of electric motor vehicles and auto components allows excellent mechanical flexibility and conductivity, and is expected to enhance greatly the performance, efficiency and reliability of the electric motor vehicles developed and/or manufactured by the Group.

For the Period, the turnover and the loss of this segment were nil (2014: Nil) and HK$4.75 million (2014: HK$1.93 million).

PROSPECTS

The demand for high-tech, clean and sustainable transportation solutions has been growing under the global trend of urbanization and proactive impositions of environmental regulations, including Mainland China. The Board believes that new energy automobiles are the major driver of the environmental automobile industry.

For better quality control and to reduce the overall costs of production, the Group intends to explore the viability of having its own manufacturing facilities (through acquisition or otherwise) so as to bring about a more vertical integration for the Group's overall production of electric buses. The electric buses are made available to transportation solutions operators or municipality transit companies for purchase or for hire through finance-lease arrangement offered by 上海正道融資租賃有限公司 (HK Leasing Co., Ltd.*) ("HK Leasing"), a wholly-owned subsidiary of the Company newly set up for engaging in the finance-leasing business. The registered capital of HK Leasing, which is now in operation, is US$30 million and the Company had contributed US$10 million as of 30 June 2015.

Through the finance-leasing, the electric buses are effectively hired out to transportation solutions operators or municipality transit companies which choose to take out finance lease from HK Leasing at minimal or zero upfront payment. The Group will provide a 10-year warranty for the battery packs installed in the electric buses leased out by HK Leasing. This business strategy can help ease the concerns of transportation solutions operators or municipality transit companies over battery degradation or having to make significant capital outlay. The Board expects the finance-leasing model will be well-received by potential customers and indirectly help boost the electric bus business of the Group. To minimise any default risk, HK Leasing will, to the extent practicable, obtain guarantee from municipal government in its favour to secure the performance of the contractual obligations (in particular, payment obligation) of those lessees under the finance-lease arrangement.

To further promote the development of high-tech electric motor vehicles business, the Company had on 10 July 2015 entered into a letter of intent with 丹東黃海汽車有限責任公司 (Dandong Huanghai Automobile Company Limited*)(“Dandong Automobile”) and Shanghai Mingyi Investment Management Company Limited*(上海明弈投資管理有限公司) for the purpose of exploring the possibility to leverage on the respective edge and capabilities of the parties for promoting and accelerating strategic cooperation in the area of new energy vehicles (in particular, electric buses) through a company (namely, 常州黃海汽車有限公司 (Changzhou Huanghai Automobile Company Limited*)) established in Changzhou, which is proposed to serve as the platform for the proposed cooperation and future sales and commercial production of electric buses in Changzhou, the PRC (as announced in the Company’s announcement dated 12 July 2015). The negotiation is still ongoing as at the date of this announcement.

The Group plans to start the production of electric buses in late 2015, with escalating output capacity in the coming few year. To achieve the business target, the Group has been proactively paving the way for building up and fortifying a strong and comprehensive platform that will enable the Group’s environmental automobile and related business of the Group to flourish. The steps taken by the Group include, among others, (i) the securing of renowned quality supplier, XALT Energy MI, LLC for the supply of its 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 buses for a term until the end of 2020 with the goal to jointly promote global electrification of automotives (in particular, electric buses), (ii) the application for patent registration of such invention that the Group considers material to enhance the performance, efficiency and reliability of the electric motor vehicles developed and/or manufactured by the Group; and (iii) the forming of strategic business alliance to collaborate in the development, manufacture and/or launch for sale of electric buses and auto products in or outside Mainland China (such as Thailand and potentially other members of the Association of Southeast Asian Nations(東盟)). During the Period, these strategic business alliances included Dandong Automobile on the joint development of a series of auto products for the designing and developing two prototypes of 12-metre lightweight monocoque electric bus (12米全承載輕量化純電動公交車) and Jiali (Thailand) Co., Ltd. for the manufacture and sale of electric buses and auto products in Thailand and for the purchase of semi-knocked-down (SKD) packages for electric buses from the Group; and (iv) the offering of finance-lease arrangement to transportation solutions operators to encourage them to shift to the use of electric buses designed and/or manufactured by the Group which, in turn, is expected to promote and boost the automobile business of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the total equity of the Group amounted to approximately HK$2,418.13 million (31 December 2014: HK$612.41 million). The gearing ratio of the Group as at 30 June 2015 measured in terms of total liabilities divided by total equity was approximately 1.87% (31 December 2014: 17.5%).

As at 30 June 2015, net current assets of the Group were approximately HK$2,298.1 million (31 December 2014: HK$483.4 million). The pledged bank deposits were approximately HK$0.8 million (31 December 2014: HK$0.8 million) while the cash and cash equivalents amounted to HK$1,242.3 million (31 December 2014: HK$202.1 million). The Group also had outstanding borrowings of approximately HK$0.21 million (31 December 2014: HK$0.21 million).

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group has a total of 106 employees as at 30 June 2015 (31 December 2014: 85 employees). It has been the Group’s policy to ensure that the remuneration levels 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. Share options under the Company's share option scheme may also be granted to employees of the Group to recognize their contributions to the Group or serve as long-term incentive for retaining them for their better commitments and the continued development of the Group.

PLEDGE OF ASSETS

As of 30 June 2015, the Group had pledged its bank deposits of HK$ 0.8 million (31 December 2014: 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 Period, 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 fluctuation and therefore, had not taken any financial instruments for hedging purpose.

MATERIAL ACQUISITIONS AND DISPOSALS

The Company had on 10 January 2015 completed (through Hybrid Kinetic Power Battery Holdings Limited (正道動力電池控股有限公司) ("**HK-Power**"), its wholly-owned subsidiary) the disposal (the "**GBS Equity Interest Disposal**") of the Group's 75% equity interest in Zhejiang GBS Energy Co., Ltd. (浙江佳貝思綠色能源有限公司) ("**GBS**") pursuant to the terms and conditions contained in the share transfer agreement dated 18 August 2014 entered into between HK-Power and the purchasers named therein. Please refer to note 15 to the financial statements disclosed above and the announcement dated 10 October 2014, the circular dated 16 December 2014, the announcements dated 11 January 2015 and 14 January 2015 of the Company for details of the transactions and arrangements under the GBS Equity Interest Disposal.

Save as the GBS Equity Interest Disposal 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 applied the principles and complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to 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 the 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 2015 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 2015

As at the date of this announcement, the Board comprises ten executive Directors, namely Dr Yeung Yung (Chairman), Dr Huang Chunhua (Deputy Chairman), Mr Hui Wing Sang, Wilson (Deputy Chairman), Dr Wang Chuantao (Chief Executive Officer), Mr Liu Stephen 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 purposes only*