HYBRID KINETIC GROUP LIMITED
正道集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1188)

ANNUAL RESULTS ANNOUNCEMENT 2015

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 2015 (the "**Year**") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Continuing operations			
Revenue	5	**38,004**	–
Cost of sales		**(36,534)**	–
Gross profit		**1,470**	–
Other income		**28,222**	4,446
Distribution costs		**(225)**	–
General operating expenses		**(388,927)**	(413,876)
Change in fair value of other financial asset		**–**	14,000
Share of result of an associate		**11,519**	–
Loss before income tax	6	**(347,941)**	(395,430)
Income tax expense	7	**(1,098)**	(6)
Loss for the year from continuing operations		**(349,039)**	(395,436)
Discontinued operations			
Loss for the year from discontinued operations	8.1	**(7,288)**	(25,406)
Loss for the year		**(356,327)**	(420,842)

	Notes	2015 HK$'000	2014 HK$'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**(25,007)**	3,326
– Release of translation reserve to profit or loss upon disposal of a subsidiary		**(3,938)**	–
Other comprehensive income for the year		**(28,945)**	3,326
Total comprehensive income for the year		**(385,272)**	(417,516)
Loss for the year attributable to:			
Owners of the Company		**(350,517)**	(415,156)
Non-controlling interests		**(5,810)**	(5,686)
		(356,327)	(420,842)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(376,067)**	(412,842)
Non-controlling interests		**(9,205)**	(4,674)
		(385,272)	(417,516)
Loss per share attributable to owners of the Company	*10*		
From continuing and discontinued operations			
Loss per share – basic		**HK(1.98) cents**	HK(3.53) cents
Loss per share – diluted		**N/A**	N/A
From continuing operations			
Loss per share – basic		**HK(1.94) cents**	HK(3.31) cents
Loss per share – diluted		**N/A**	N/A
From discontinued operations			
Loss per share – basic		**HK(0.04) cent**	HK(0.22) cent
Loss per share – diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**79,372**	23,062
Interest in an associate		**20,354**	–
Available-for-sale financial asset		**10,982**	–
Goodwill		**–**	–
Prepayments	*11*	**36,656**	94,454
Finance lease receivables	*12*	**13,584**	–
Other investment		**–**	11,479
		160,948	128,995
Current assets			
Inventories		**4,087**	–
Finance lease receivables	*12*	**8,776**	–
Prepayments, deposits and other receivables	*13*	**639,797**	131,857
Amount due from a non-controlling shareholder of a subsidiary		**2,483**	2,624
Derivative financial asset		**–**	4,326
Short-term investments		**84,001**	11,346
Structured bank deposits		**420,182**	100,856
Pledged bank deposits		**1,607**	807
Cash and cash equivalents		**999,820**	202,071
		2,160,753	453,887
Assets of a disposal company classified as held for sale	*8.2*	**–**	136,433
		2,160,753	590,320

	Notes	**2015**	2014
		HK$'000	*HK$'000*
Current liabilities			
Trade payables	*14*	**2,988**	134
Accruals and other payables	*15*	**37,571**	42,876
Borrowings		**196**	207
Tax payable		**920**	4
		41,675	43,221
Liabilities of a disposal company classified as held for sale	*8.2*	**–**	63,681
		41,675	106,902
Net current assets		**2,119,078**	483,418
Total assets less current liabilities		**2,280,026**	612,413
Net assets		**2,280,026**	612,413
EQUITY			
Equity attributable to owners of the Company			
Share capital		**2,032,587**	1,418,714
Reserves		**210,984**	(841,574)
		2,243,571	577,140
Non-controlling interests		**36,455**	35,273
Total equity		**2,280,026**	612,413

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

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 office 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 Company and its subsidiaries (together referred to as the "**Group**") were development of advanced batteries materials and development of high-tech electric motor vehicles.

In August 2014, the Group has entered into a share transfer agreement in respect of the disposal of its 75% equity interest in Zhejiang GBS Energy Co., Ltd. ("**GBS**"), which principally engaged in development and manufacturing of lithium-ion power battery. 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. 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. Therefore, the Group has reclassified 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 and presented the income and expenses of GBS as discontinued operations in the Group's consolidated statement of comprehensive income for the years ended 31 December 2015 and 2014 in accordance with Hong Kong Financial Reporting Standard ("HKFRS") 5. Further details regarding the discontinued operations are set out in note 8.1.

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 (the "**new HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2015:

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

The adoption of these amendments has no material impact on the Group's financial statements.

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[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

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

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

[3] *No effective date yet determined but it is available for adoption*

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

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 (2014) 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 (2014) 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 (2014) 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 (2014) 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 are 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 Hong Kong Companies Ordinance, Cap. 622

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance, Cap. 622 came into operation during the year. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements.

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**"). These consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

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.

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:

For the year ended 31 December 2015

(i) development of advanced batteries materials; and

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

For the year ended 31 December 2014

(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 8.1.

For the year ended 31 December 2015

	High-tech electric motor vehicles *HK$'000*	Advanced batteries materials *HK$'000*	Total *HK$'000*
Revenue			
Sales to external customers	**38,004**	**–**	**38,004**
Segment results	**(34,344)**	**(27,109)**	**(61,453)**
Unallocated corporate income and expense, net			**(159,088)**
Share-based compensation			**(127,400)**
Loss before income tax			**(347,941)**
Income tax expense			**(1,098)**
Loss for the year from continuing operations			**(349,039)**
Loss for the year from discontinued operations *(note 8.1)*			**(7,288)**
Loss for the year			**(356,327)**
Segment assets	**965,624**	**21,260**	**986,884**
Available-for-sale financial asset			**10,982**
Amount due from a non-controlling shareholder of a subsidiary			**2,483**
Structured bank deposits			**420,182**
Cash and cash equivalents held by the Group's headquarter			**656,486**
Unallocated corporate assets			**244,684**
Total assets			**2,321,701**
Segment liabilities	**18,072**	**268**	**18,340**
Borrowings			**196**
Tax payable			**920**
Unallocated corporate liabilities			**22,219**
Total liabilities			**41,675**
<u>Other segment information</u>			
Interest income	**1,344**	**1**	**1,345**
Depreciation	**(1,507)**	**(3,608)**	**(5,115)**
Impairment of property, plant and equipment	**(2,732)**	**(972)**	**(3,704)**
Impairment of other investment	**–**	**(11,479)**	**(11,479)**
Change in fair value of derivative financial asset	**–**	**(4,326)**	**(4,326)**
Research and development expenses	**(36,895)**	**(1,670)**	**(38,565)**
Additions to non-current assets (excluding financial instruments)	**29,240**	**1,605**	**30,845**

For the year ended 31 December 2014

	High-tech electric motor vehicles *HK$'000*	Advanced batteries materials *HK$'000*	Natural resources *HK$'000*	Hybrid vehicles *HK$'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 8.1)*					(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 8.2)*					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 8.2)*					63,681
Borrowings					207
Tax payable					4
Unallocated corporate liabilities					21,230
Total liabilities					106,902
<u>Other segment information</u>					
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

The Group's revenue from external customers (including the revenue from operations which has been classified as discontinued operations as set out in note 8.1) 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)**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
– Hong Kong (place of domicile)	**–**	–	**17,399**	1,807
– the People's Republic of China ("**PRC**")	**39,235**	26,582	**102,526**	102,379
– United States ("**US**")	**2,267**	7,861	**16,457**	13,330
– Germany	**1,462**	7,212	**–**	–
– Korea	**1,940**	20,965	**–**	–
– Italy	**–**	5,491	**–**	–
– Other locations	**41**	4,059	**–**	–
Total	**44,945**	72,170	**136,382**	117,516

The geographical location of customers is based on the location of customers. 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 2015, revenue from transactions with three customers from the high-tech electric motor vehicles business (2014: two customers from the discontinued operations of lithium-ion power batteries) which amounted to 10% or more of the Group's revenue (including the revenue from operations which has been classified as discontinued operations as set out in note 8.1) are as follows:

	2015	2014
	HK$'000	*HK$'000*
Customer A *(note 1)*	**17,803**	–
Customer B *(note 1)*	**6,140**	–
Customer C *(note 1)*	**14,061**	–
Customer D *(note 2)*	**–**	20,951
Customer E *(note 2)*	**–**	10,349

Notes:

1. No revenue was generated from these three customers for the year ended 31 December 2014.

2. Revenue from these two customers 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 8.1) for the year ended 31 December 2015, and therefore the revenue from these two customers for the year ended 31 December 2015 was not presented.

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**		**Total**	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales of high-tech electric motor vehicles	**38,004**	–	**–**	–	**38,004**	–
Sales of lithium-ion power batteries	**–**	–	**6,941**	72,170	**6,941**	72,170
	38,004	–	**6,941**	72,170	**44,945**	72,170

6. LOSS BEFORE INCOME TAX

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

	Continuing operations		**Discontinued operations**		**Total**	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Auditor's remuneration	**2,066**	1,565	**–**	–	**2,066**	1,565
Share-based compensation	**127,400**	195,756	**–**	–	**127,400**	195,756
Depreciation of property, plant and equipment	**12,413**	5,275	**–**	5,607	**12,413**	10,882
Amortisation of intangible assets	**–**	–	**–**	4,480	**–**	4,480
Impairment of property, plant and equipment	**3,704**	–	**–**	–	**3,704**	–
Impairment of goodwill	**–**	1,271	**–**	–	**–**	1,271
Impairment of available-for-sale financial asset	**4,971**	–	**–**	–	**4,971**	–
Impairment of other investment	**11,479**	–	**–**	–	**11,479**	–
Change in fair value of other financial asset	**–**	(14,000)	**–**	–	**–**	(14,000)
Change in fair value of derivative financial asset	**4,326**	8,934	**–**	–	**4,326**	8,934
Impairment of trade receivables	**–**	–	**–**	885	**–**	885
Impairment of other receivables	**368**	15,001	**–**	3,448	**368**	18,449
Research and development expenses	**38,565**	96,391	**672**	7,357	**39,237**	103,748
Loss on disposal of a subsidiary *(note 16)*	**–**	–	**6,890**	–	**6,890**	–
Loss/(Gain) on disposal of property, plant and equipment	**308**	(585)	**–**	(142)	**308**	(727)
Cost of inventories recognised as expenses	**36,534**	–	**5,657**	57,848	**42,191**	57,848
Operating lease charges in respect of land and buildings	**14,338**	8,078	**25**	139	**14,363**	8,217

7. INCOME TAX EXPENSE/(CREDIT)

For the years ended 31 December 2015 and 2014, 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 expense/(credit) for the year was as follows:

	Continuing operations		Discontinued operations		Total	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current tax – the PRC						
– Tax for the year	**1,098**	6	**–**	–	**1,098**	6
Deferred tax	**–**	–	**(52)**	(668)	**(52)**	(668)
Income tax expense/(credit)	**1,098**	6	**(52)**	(668)	**1,046**	(662)

8. 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 its 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 disposal of GBS was completed on 10 January 2015 and GBS ceased to be subsidiary of the Group with effect from that date. For the year ended 31 December 2015, the loss on these discontinued operations (included the loss on disposal of the 75% equity interests in GBS of HK$6,890,000) amounted to HK$7,288,000. Details of the results of the discontinued operations of development and manufacturing of lithium-ion power battery for the years ended 31 December 2015 and 2014 are set out in note 8.1 and details of the assets/liabilities of a disposal company classified as held for sale as at 31 December 2014 are set out in note 8.2.

8.1 An analysis of the results of the discontinued operations for the years ended 31 December 2015 and 2014 is as follows:

	2015	2014
	HK$'000	*HK$'000*
Revenue	**6,941**	72,170
Cost of sales	**(5,657)**	(57,848)
Gross profit	**1,284**	14,322
Other income	**42**	960
Distribution costs	**(312)**	(3,403)
General operating expenses	**(1,356)**	(22,638)
Finance costs	**(108)**	(1,239)
Loss before income tax	**(450)**	(11,998)
Loss on disposal of a subsidiary *(note 16)*	**(6,890)**	–
Income tax credit	**52**	668
Loss after income tax	**(7,288)**	(11,330)
Loss recognised on the re-measurement to fair value less costs to sell of a disposal company classified as held for sale *(note)*	**–**	(14,076)
Loss for the year from discontinued operations (attributable to owners of the Company)	**(7,288)**	(25,406)

Note: As at 31 December 2014, as mentioned in note 1, the management reclassified the assets and liabilities of GBS as assets/liabilities of a disposal company classified as held for sale. The management re-measured the fair value less costs to sell of a disposal company classified as held for sale. A loss on re-measurement of HK$14,076,000 is recognised in the profit or loss and included in the loss for the year from discontinued operations for the year ended 31 December 2014. The re-measurement loss of HK$10,629,000 was allocated to reduce the goodwill first and the remaining re-measurement loss of HK$1,999,000 and HK$1,448,000 was allocated to the property, plant and equipment and intangible assets respectively for the year ended 31 December 2014.

8.2 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

9. DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2015 (2014: Nil) and the Company did not declare any interim dividend during the year (2014: Nil).

10. 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:

	2015	2014
	HK$'000	*HK$'000*
Loss attributable to the owners of the Company for the purpose of basic loss per share		
Continuing operations	**(343,229)**	(389,750)
Discontinued operations	**(7,288)**	(25,406)
Total loss from continuing and discontinued operations	**(350,517)**	(415,156)

	2015	2014
	Number of shares	*Number of shares*
	'000	*'000*
Weighted average number of shares for the purpose of basic loss per share	**17,726,331**	11,770,258

Diluted loss per share amount for both years' 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.

11. PREPAYMENTS

	2015	2014
	HK$'000	*HK$'000*
Prepayment for investment in a subsidiary *(note)*	**–**	46,800
Prepayment for purchase of property, plant and equipment	**36,656**	47,654
	36,656	94,454

Note: For the year ended 31 December 2014, the Group paid HK$46,800,000 for the capital injection of 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. 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 the prepayment for investment in subsidiary is recognised as investment cost of 連雲港正道新能源汽車系統集成有限公司 in January 2015.

12. FINANCE LEASE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Finance lease receivables		
– Current portion, receivable within one year	**8,776**	–
– Non-current portion, receivable later than one year but no later than five years	**13,584**	–
	22,360	–

The directors of the Company are of the view that the credit risk inherent in the Group's outstanding finance lease receivables balances due from the customers is low. The Group has not encountered any delay or default in the collection of the scheduled payments of finance lease receivables. No impairment allowance was made for the finance lease receivables as at 31 December 2015.

Reconciliation between the gross amount under finance leases at the end of each reporting period and the present value of minimum lease payments receivable under such leases at the end of each reporting period is set out below:

	2015	2014
	HK$'000	*HK$'000*
Minimum lease payments receivable:		
– Not later than one year	**9,965**	–
– Later than one year and no later than five years	**14,621**	–
	24,586	
Less: unearned finance income	**(2,226)**	–
Present value of minimum lease payment receivables	**22,360**	–

As at 31 December 2015, the carrying amounts of the Group's finance lease receivables are principally denominated in RMB. Effective interest rates ranged from approximately 5.7% to 7.0% per annum.

The finance lease receivables are secured by the leased motor vehicles and guarantees provided by independent third parties. The Group is not permitted to sell or re-pledge the collaterals in absence of default by the lessees. The lessees are required to pay the Group through twelve quarterly lease payments.

The fair value of receivable under finance lease arrangement approximates to its carrying amount.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Prepayments to suppliers	**350,845**	8
Other receivables	**121,795**	62,306
Other deposits and prepayments	**72,242**	43,431
Prepayment for research and development projects	**93,089**	23,272
Amounts due from directors	**1,826**	2,840
	639,797	131,857

14. TRADE PAYABLES

The ageing analysis of the trade payables of the Group as at 31 December 2015, based on the invoice date, is as follows:

	2015	2014
	HK$'000	*HK$'000*
0 – 180 days	**2,920**	–
Over 180 days	**68**	134
	2,988	134

15. ACCRUALS AND OTHER PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Deposits received from customers	**–**	4,539
Prepayment for warranty service	**2,519**	–
Accrued staff costs	**1,967**	5,730
Other payables	**25,983**	30,353
Other accrued expenses	**7,102**	2,254
	37,571	42,876

16. DISPOSAL OF A SUBSIDIARY

For the year ended 31 December 2015

As mentioned in note 1, 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 consideration is satisfied by an aggregate of 257,324,692 shares of the Company held by the purchasers (the "Subject Shares"). The net assets of GBS at the date of disposal were as follows:

	Carrying amounts *HK$'000*
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
Pledged bank deposits	1,895
Cash and cash equivalents	685
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 amounts due to remaining group	14,646
Fair value of retained interest which become interest in an associate	(9,134)
Loss on disposal of a subsidiary	(6,890)
Total consideration	52,494
Satisfied by Subject Shares	52,494

	HK$'000
Net cash inflow arising from disposal of a subsidiary	
Net cash proceeds from Subject Shares	44,259
Cash and cash equivalents disposed of	(685)
Net cash inflow from disposal of a subsidiary	43,574

GBS contributed revenue of HK$6,941,000 and loss before income tax of HK$450,000 to the Group for the period from 1 January 2015 to 10 January 2015 (being the completion date of disposal). After completion of the disposal, GBS became an associate of the Group with 25% effective interests held by the Group.

At the date of completion of disposal, the fair value of the Subject Shares amounted to HK$52,494,000 and the Subject Shares were accounted for as an equity instrument under the other reserve account in the consolidated statement of changes in equity. During the year ended 31 December 2015, the Company has appointed and instructed a placing agent to dispose of the Subject Shares. The cash proceeds obtained from the disposal of the Subject Shares was amounted to HK$44,259,000 and the amount was credited to the other reserve account in the consolidated statement of changes in equity.

MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION

OVERVIEW

During the Year, the principal businesses of the Group included:

- the electric motor vehicles business comprising primarily electric buses, engine and related battery cells; and

- the promotion of the new energy project which involved the development of key new energy automobile components and primarily the production of single and few-layer graphene（單層石墨烯）.

The Group's turnover and gross profit from continuing operations for the Year amounted to approximately HK$38.0 million (2014: Nil) and HK$1.5 million (2014: Nil). The gross profit for the Year was primarily attributable to the sales of electric buses. The loss attributable to shareholders for the Year amounted to HK$350.5 million (2014: HK$415.2 million). The loss for the Year 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 decreased to HK$388.9 million (2014: HK$413.9 million) which consisted of research and development expenses of HK$38.6 million (2014: HK$96.4 million), employee benefit expense (including wages and salaries, pension costs, share-based compensation and other benefits) of HK$74.3 million (2014:HK$169.5 million) and depreciation expenses of HK$12.4 million (2014: HK$5.3 million).

The loss for the Year from discontinuing operations was HK$7.3 million as compared to HK$25.4 million in 2014.

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.

During the Year, the Group had operated its electric bus business through the Company's wholly-owned subsidiary, 連雲港正强新能源汽車銷售有限公司 (Lianyuangang Zheng Qiang New Energy Motors Sales Co., Ltd.*). Our emphasis was placed on electric buses as we believe that any improvement in the performance, efficiency and reliability of electric buses would help promote the use of public transportation by the public, minimize environmental pollutions and improve public health and safety.

During the Year, the Group had collaborated with 丹東黃海汽車有限責任公司 (Dandong Huanghai Automobile Company Limited*) (“**Dandong Automobile**“), one of the largest builders of city buses in the People’s Republic of China (the “**PRC**”), 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（12米全承載輕量化純電動公交車）that were suitable for public transportation in the PRC. The collaborative efforts had achieved notable results. In January 2016, 國家機動車質量監督中心（重慶）(The National Motor Vehicle Quality Supervision and Inspection Centre (Chongqing)*) confirmed that a 12-metre lightweight monocoque electric bus (under the product code DD6129EV12) (the “**Electric City Bus**”) jointly developed by the Group and Dandong Automobile conformed to the technical standard and successfully passed the inspection under 車輛產品（公告）技術審查 (Notice of Technology Review of Auto Products*). After the inspection, the Electric City Bus has been included and formally announced in《道路機動車輛生產企業及產品公告》（第280批）(the Announcement of Road Power-Driven Vehicle Manufacturing Enterprises and Products (Batch No. 280*), and 中國國家強制性產品認証証書 (China Compulsory Certification of Products*) for the Electric City Bus was also issued by the China Quality Certificate Centre（中國質量認証中心）on 25 January 2016.

During the Year, the manufacturing of electric buses had been undertaken by processing plant（代工廠）selected by the Group in the PRC. Dandong Automobile was the major processing plant engaged by the Group. Nevertheless, it has been the intention of the Company to establish an electric bus manufacturing platform, either through forming joint venture business with strategic partner(s) or acquiring a controlling stake of public bus manufacturing entity so as to achieve a higher level of vertical integration. During the Year, the Company had devoted time and resources to engage in commercial negotiations, though of no avail, to explore investment or acquisition opportunities to implement the business goal of the Group.

Further, 連雲港正道新能源汽車系統集成有限公司 (Lianyungang HK New Energy Vehicles System Integration Company Limited*), a wholly-owned subsidiary of the Company, had established a battery system factory in 連雲港經濟技術開發區 (Lianyungang Economic and Technology Development Zone*), the Jiangsu Province, the PRC for the development of battery management system (which is a core component for use in electric buses) in the third quarter of 2015.

During the Year, to elevate the sales and production of electric buses and/or its components to a level of advanced technologies, the Group had on 20 March 2015 entered into a supply agreement with XALT Energy MI, LLC ("**XALT**") 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 for a term until the end of 2020. In November 2015, the XALT LTO battery cells had passed the product function inspection performed by the national inspection authority, 北方汽車質量監督檢驗鑒定試驗所 (North Vehicle Quality Supervision, Inspection and Approval Test Institute*) which certified that the XALT LTO battery cells conformed with the required technical and safety standard. With the official certification, the Group is able to use the XALT LTO battery cells in the manufacture of its battery systems in the PRC. The Company had placed orders to XALT for shipment of the XALT LTO battery cells for the Group's trial production of LTO batteries through the Company's wholly-owned subsidiary in the PRC, Lianyungang HK New Energy Vehicles System Integration Company Limited.

During the Year, the Group had also been keen to seek opportunities for investment, cooperation and/or collaboration with renowned organizations, institutions and/or experts with a view to exploring ways to strengthening the Group's supply chains, enhance its production capacity and operational flexibility and widen its expertise in such areas which are considered to be beneficial to the overall development of the Group's electric motor vehicles business.

We realize that flexibility is one of the keys to success for any business. To complement the intended expansion of our electric bus business, we consider the finance-leasing business is promising. Through the finance-leasing model adopted by the Group, the electric buses are made available to transportation solutions operators or municipality transit companies for purchase or hire through finance-lease arrangement offered by 上海正道融資租賃有限公司 (HK Leasing Co., Ltd.*), a wholly-owned subsidiary of the Company set up for engaging in the finance-leasing business. The electric buses are effectively hired out to transportation solutions operators or municipality transit companies which choose to take out finance lease from the Group 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 the Group. The 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 provision of finance-leasing is therefore expected to promote the sale and use of the Group's electric buses and facilitate market penetration in a greater scale and at a quicker space. During the Year, the Group had entered into finance-lease contracts amounted to approximately HK$22.36 million with certain public buses operators who were also the customers of our electric buses.

For the Year, the turnover and the loss of this segment were approximately HK$38.0 million (2014: Nil) and HK$34.3 million (2014: HK$99.6 million).

New Energy Project

The Group has been engaging in the promotion of a new energy project (which involved the development of key new energy automobile components) (the "**New Energy Project**") through 連雲港正道新能源有限公司 (Hybrid Kinetic (Lianyuangang) New Energy Limited, Inc.*) (the "**Project Company**"), in which the Company holds approximately 77.78% of its total registered capital of US$27,000,000.

The Project Company commenced trial production of small quantity 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）for use in electric vehicles.

In the pursuit of technological and socially responsible innovation for new energy productions, the Project Company and HK Graphene Technology Corporation (formerly known as Angstron Holdings Corporation), a subsidiary of the Company in the United States of America (the "**US**"), have been cooperating 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 condition). The Group has the ability to commence production of graphene in relatively low cost, and an application for patent registration for the production process of graphene had been filed in the US pending approval during the Year.

To enhance the competitive strength of the Group's high-tech electric motor vehicles business, the Project Company is expected to commence mass production of graphene super batteries for installation in electric buses when the market of electric bus in China is mature.

For the Year, the turnover and the loss of this segment were nil (2014: Nil) and HK$27.1 million (2014: HK$12.8 million).

PROSPECTS

We believe that the demand for high-tech, clean and sustainable transportation will continue to grow 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, we are optimistic that the Group's business scale will extend beyond the existing China market to cover the Asian and European markets. We have started our initial penetration in the electric bus market in Thailand and planned potential collaboration in certain markets in Europe. We anticipate that the development of electric buses will entail massive potentials as well as business and investment opportunities for the Group.

We will step up our efforts to explore investment opportunities and consider different options to achieve a higher level of vertical integration of our electric motor vehicles business (including but not limited to the viability of having our own manufacturing facilities (through acquisition or otherwise)). This business goal, if achieved successfully, is expected to improve supply chain co-ordination, as well as enhance costs and quality control. These, in turn, are expected to bring a positive impact on the Group's operation, performance and competitiveness in the automobile market place.

The finance-leasing business had come into operation during the Year. We expect the finance-leasing model adopted by the Group will be well-received by potential customers. We intend to extend the provision of our finance-leasing services to potential customers who have financing needs for other motor vehicles with a view to broadening our customer base.

The participation of the Group in the New Energy Project, through its investment in the Project Company, and following completion of the construction of production facilities by the Project Company in July 2015 for producing key new energy automobile components (including battery materials, super batteries, electric control systems, electrolyte and in particular, single and few-layer graphene（單層石墨烯）) is expected to enhance the Group's capability and production capacity for the manufacture of more advanced and competitive new energy automobile components at competitive price.

MATERIAL ACQUISITION OR DISPOSAL

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 16 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 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.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2015, the total equity of the Group amounted to approximately HK$2,280.0 million (31 December 2014: HK$612.4 million).

The gearing ratio of the Group as of 31 December 2015 measured in terms of total liabilities divided by shareholders’ equity was approximately 1.83% (31 December 2014: 17.46%).

As of 31 December 2015, net current assets of the Group were approximately HK$2,119.1 million (31 December 2014: HK$483.4 million). The pledged bank deposits were approximately HK$1.6 million (31 December 2014: HK$0.8 million). The cash and cash equivalents amounted to HK$999.8 million (31 December 2014: HK$202.1 million).

The short-term investments was approximately HK$84.0 million (31 December 2014: HK$11.3 million) and structured bank deposits was approximately HK$420.2 million (31 December 2014: HK$100.9 million). The Group also had outstanding borrowings of approximately HK$0.2 million (31 December 2014: HK$0.2 million).

PLEDGE OF THE GROUP'S ASSETS

As of 31 December 2015, the Group had pledged its bank deposits of HK$1.6 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 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.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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, had 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 2015 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 AND ANNUAL REPORT

The annual results announcement for the Year is published on the respective websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.hk1188.etnet.com.hk). The annual report of the Company for the Year will be available on the respective websites of the Stock Exchange and the Company, and despatched to the shareholders of the Company in due course.

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

Hong Kong, 31 March 2016

As at the date of this announcement, the Board comprises ten executive Directors, namely Dr Yeung Yung (Chairman), Mr Xu Jianguo (Chief Executive Officer), Mr Hui Wing Sang, Wilson (Deputy Chairman), Dr Huang Chunhua (Deputy Chairman), Dr Wang Chuantao (Deputy Chairman), Mr Liu Stephen Quan, Dr Zhu Shengliang, Mr Li Zhengshan, Mr Ting Kwok Kit, Johnny and Mr Chen Xiao, one non-executive Director, namely Dr Xia Tingkang, Tim and six independent non-executive Directors, namely Mr Wong Lee Hing, Dr Song Jian, Dr Zhu Guobin, Mr Cheng Tat Wa, Dr Li Jianyong and Mr Chan Sin Hang.

* *For identification purposes only*