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 2019

The board of directors (the "Board" or the "Directors") of Hybrid Kinetic Group Limited (the "Company") would like to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2019 (the "Period") together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**16,816**	35,451
Cost of sales		**(3,686)**	(28,894)
Gross profit		**13,130**	6,557
Other income		**1,892**	3,975
Distribution costs and general operating expenses		**(83,646)**	(193,500)
Share of results of associates		**(3,741)**	307
Share of profit of a joint venture		**68**	55
Finance costs	*5*	**(873)**	–

	Notes	Six months ended 30 June 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Loss before tax		**(73,170)**	(182,606)
Income tax expense	*6*	**–**	(15)
Loss for the period	*7*	**(73,170)**	(182,621)
Other comprehensive loss:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations – Group		**(3,311)**	(9,198)
Exchange differences on translating foreign operations – associates		**(2,581)**	(1,935)
Other comprehensive loss for the period		**(5,892)**	(11,133)
Total comprehensive loss for the period		**(79,062)**	(193,754)
Loss for the period attributable to:			
Owners of the Company		**(73,130)**	(181,002)
Non-controlling interests		**(40)**	(1,619)
		(73,170)	(182,621)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(78,496)**	(191,722)
Non-controlling interests		**(566)**	(2,032)
		(79,062)	(193,754)
Loss per share	*9*		
Basic and diluted *(cents per share)*		**0.36**	0.89

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	*10*	**43,846**	58,102
Right-of-use assets		**39,100**	–
Investment in associates		**400,540**	406,862
Investment in a joint venture	*11*	**–**	22,772
Equity investments at fair value through other comprehensive income		**38,199**	38,423
Intangible assets		**62,143**	62,555
Prepayments		**98,370**	98,370
		682,198	687,084
Current assets			
Inventories		**11,572**	12,240
Trade and other receivables	*12*	**476,674**	498,054
Derivative financial instrument		**53,505**	55,018
Pledged bank deposits		**2,011**	2,007
Bank and cash balances		**15,559**	45,815
		559,321	613,134
Current liabilities			
Trade and other payables	*13*	**42,131**	61,170
Lease liabilities		**23,383**	–
		65,514	61,170
Net current assets		**493,807**	551,964
Total assets less current liabilities		**1,176,005**	1,239,048
Non-current liabilities			
Lease liabilities		**16,019**	–
NET ASSETS		**1,159,986**	1,239,048
Capital and reserves			
Share capital		**2,035,287**	2,035,287
Reserves		**(904,346)**	(825,850)
Equity attributable to owners of the Company		**1,130,941**	1,209,437
Non-controlling interests		**29,045**	29,611
TOTAL EQUITY		**1,159,986**	1,239,048

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL INFORMATION

Hybrid Kinetic Group Limited was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. 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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (together referred to as the "Group") were the development of high-tech electric motor vehicles, the development and sale of battery management systems and spare parts and the development of advanced batteries materials.

2. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

These condensed financial statements should be read in conjunction with the 2018 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2018 except as stated below.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates of land and buildings is 28.6%-50%.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards (the "HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years except as stated below:

HKFRS 16 "Leases"

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.7%.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

– the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

– reliance on previous assessments on whether leases are onerous;

– the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

– the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease.

As a lessee, the Group's leases are mainly rentals of offices. The right-of-use assets were measured at the amount equal to the lease liability and there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	1 January 2019 *HK$'000*
Increase in right-of-use assets	40,682
Increase in lease liabilities	40,682

The reconciliation of operating lease commitment to lease liabilities as at 1 January 2019 is set out below:

	HK$'000
Operating lease commitment at 31 December 2018	48,291
Less:	
Commitments relating to leases with a remaining lease term ending on or before 31 December 2019 and low-value assets	(4,696)
Discounting	(2,913)
Lease liabilities as at 1 January 2019	40,682
Analysed as:	
Current	26,957
Non-current	13,725
	40,682

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of those new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. REVENUE AND SEGMENT INFORMATION

Information about reportable segment profit or loss, assets and liabilities:

	High-tech electric motor vehicles	Battery management systems and spare parts	Advanced batteries materials	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Period ended 30 June 2019:				
Revenue	–	16,816	–	16,816
Segment loss	(4,745)	(10,801)	(38)	(15,584)
At 30 June 2019:				
Segment assets	684,094	28,618	5,490	718,202
Segment liabilities	13,149	3,742	160	17,051
Period ended 30 June 2018:				
Revenue	42	35,409	–	35,451
Segment loss	(57,428)	(26,194)	(7,014)	(90,636)
At as 31 December 2018:				
Segment assets (audited)	743,566	31,762	4,076	779,404
Segment liabilities (audited)	9,144	9,725	161	19,030

Reconciliations of reportable segment revenue, profit and loss, assets and liabilities:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue:		
Total revenue of reportable segments and consolidated revenue	**16,816**	35,451
Profit or loss:		
Total loss of reportable segments	**(15,584)**	(90,636)
Corporate and unallocated profit or loss	**(57,586)**	(91,970)
Income tax expense	**–**	(15)
Consolidated loss for the period	**(73,170)**	(182,621)

	At 30 June	At 31 December
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Assets:		
Total assets of reportable segments	**718,202**	779,404
Corporate and unallocated assets:		
– Equity investments at fair value through other comprehensive income	**38,199**	38,423
– Bank and cash balances held by the Group's headquarters	**4,983**	15,664
– Others	**480,135**	466,727
Consolidated total assets	**1,241,519**	1,300,218
Liabilities:		
Total liabilities of reportable segments	**17,051**	19,030
Corporate and unallocated liabilities		
– Others	**64,482**	42,140
Consolidated total liabilities	**81,533**	61,170

Breakdown of revenue:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sale of battery management systems and spare parts	**16,816**	35,409
Revenue from contracts with customers	**16,816**	35,409
Interest income from finance lease	**–**	42
Total	**16,816**	35,451

Disaggregation of revenue from contracts with customers:

	Six months ended 30 June 2019			
Segments	**High-tech electric motor vehicles**	**Battery management systems and spare parts**	**Advanced batteries materials**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Geographical markets				
PRC	**–**	**16,816**	**–**	**16,816**
Major products/service				
Sale of battery management system and lithium batteries	**–**	**16,816**	**–**	**16,816**
Timing of revenue recognition				
At a point in time	**–**	**16,816**	**–**	**16,816**

Segments	High-tech electric motor vehicles	Battery management systems and spare parts	Advanced batteries materials	Total
	Six months ended 30 June 2018			
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Geographical markets				
PRC	–	35,409	–	35,409
Major products/service				
Lithium batteries	–	35,409	–	35,409
Timing of revenue recognition				
At a point in time	–	35,409	–	35,409

5. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Lease interests	**873**	–

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax		
– Provision for the period	**–**	15

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong during the period (2018: HK$Nil).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

7. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging the following:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**3,686**	28,894
Depreciation	**17,312**	14,708
Operating lease charges in respect of land and buildings	**3,813**	23,331
Research and development costs	**1,249**	17,809
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	**51,422**	81,098
– Retirement benefit scheme contributions	**3,489**	5,503
	54,911	86,601

8. DIVIDENDS

The Directors do not recommend or declare the payment of any dividend in respect of the periods ended 30 June 2019 and 2018.

9. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for period attributable to owners of the Company of approximately HK$73,130,000 (2018: approximately HK$181,002,000) and the weighted average number of approximately 20,352,873,000 (2018: approximately 20,351,271,000) ordinary shares in issue during the period.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive during the both periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK$Nil (2018: approximately HK$11,332,000).

11. INVESTMENT IN A JOINT VENTURE

During the six months ended 30 June 2019, the Group disposed of its all equity interest held in 寧波正道京威控股有限公司 for a cash consideration of RMB20,000,000 to an independent third party, 北京致雲資產管理有限公司.

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2019	At 31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**–**	790
Prepayment to a supplier	**333,918**	333,918
Prepayment to others	**125,250**	131,346
Deposits and other receivables	**17,506**	30,132
Amounts due from directors	**–**	1,868
	476,674	498,054

Trade receivables

The Group allows an average credit period of 30 to 90 days to its trade customers. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables, based on invoiced date, and net of allowance, is as follows:

	At 30 June 2019	At 31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**–**	790
	–	790

13. TRADE AND OTHER PAYABLES

	At 30 June 2019	At 31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**956**	7,615
Accruals and other payables	**41,175**	53,164
Amount due to a director	**–**	391
	42,131	61,170

The aging analysis of the trade payables, based on the date of receipt of goods, is as follows:

	At 30 June 2019	At 31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 180 days	**–**	–
181 to 360 days	**–**	49
Over 360 days	**956**	7,566
	956	7,615

MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION

Overview

During the Period, the principal businesses of the Group included the development and/or sale of:

- battery management systems and spare parts;
- high-tech electric motor vehicles; and
- advanced batteries materials, including key new energy automobile components and single and few-layer graphene.

The Group's revenue and gross profit for the Period amounted to approximately HK$16.8 million and HK$13.1 million as compared to HK$35.5 million and HK$6.6 million in the same period of last year. The decrease of revenue was primarily due to the launching of our improved high voltage battery packs using our graphene enhanced "Super Battery Technology" which enable better conductivity. The improved battery packs, which contributed primarily to the Group's revenue for the Period, were relatively new to the market. The introduction stage of the improved products would therefore require time for customers to accept the products, and for sales and revenue to the Group to gradually grow and generate. The loss for the Period was mainly attributable to distribution costs and general operating expenses. The loss attributable to shareholders for the Period amounted to approximately HK$73.1 million (2018: HK$181.0 million).

The distribution costs and general operating expenses for the Period decreased to approximately HK$83.6 million (2018: HK$193.5 million) which consisted of research and development expenses of approximately HK$1.2 million (2018: HK$17.8 million), operating lease charges in respect of land and buildings of approximately HK$3.8 million (2018: HK$23.3 million), employee benefit expense (including wages and salaries, pension costs and other benefits) of approximately HK$54.9 million (2018: HK$86.6 million) and depreciation expenses of approximately HK$17.3 million (2018: HK$14.7 million).

Battery management systems and spare parts

The Group has been engaging in the automotive batteries business since 2011.

We have our own manufacturing facilities in Lianyungang, Jiangsu Province, the PRC for the processing of battery cells and assembling of batteries and spare parts into battery management systems. As part of the manufacturing process of the battery management systems, we source battery cells from certain designated suppliers, and provide the necessary expertise, technical know-how and support to such suppliers so as to aid them in building production lines that are developed and tailored for the manufacture and supply of battery cells exclusively to the Group.

We continue to make great strides in the design and development of our graphene enhanced "Super Battery Technology". During the Period, we had built and tested our first prototype state-of-the-art high voltage battery pack in our manufacturing facilities, using our latest innovative 28Ah lithium-ion battery cell with graphene coating to improve conductivity, thus allowing it to charge much faster than other lithium-ion battery cells. Additional battery packs are being assembled for inventory held available for sale in the near future and plans are underway to begin integrating the battery packs into the initial stages of powertrain and vehicle development. The Board is confident that the new battery pack, when launched, will enhance the revenue stream of the Group in the second half of this year.

For the Period, the total revenue derived from the sale of battery management systems and spare parts amounted to approximately HK$16.8 million (2018: HK$35.4 million).

High-tech electric motor vehicles

We believe that the automotive industry is constantly faced with significant challenges that will lead to changes in market expectations and customer usages, not to mention more stringent environmental and regulatory demands as well.

We are in the final stage of completing the design of a globally modular SUV (sport utility vehicle) and SEDAN vehicle platform which allows a higher and more flexible bandwidth of wheelbases and track widths for front, mid and rear compartments, and incorporates a modularity and sharing strategy utilizing our various clean energy powertrains, chassis and suspension geometries across other sedans and/or SUVs in our portfolio. With such design and technology, our vehicles will be more capable, better defined and balanced to attend to different requirements, while providing also the most advanced features and technologies in segment to out-perform its best-in-class competitors. Our modularity and sharing strategy is also designed to accelerate the vehicle development process by minimizing the time, complexity and cost associated with the development and manufacturing process. These gains in efficiencies and savings in costs can then be rolled down to our customers from a vehicle cost/purchase perspective.

Meanwhile, we are undergoing detailed technical and cost related deep dives with potential suppliers for critical long lead commodities in preparation for supplier nomination.

The Group's core R&D organizational and program management structure continues to be optimized and strengthened for the development of multiple cross-platform sedans and SUVs, and modular structured R&D sub-systems development activities planned for the near future. Initiatives are underway to expand the scale of resources and increase competencies to align with the planned targets for intellectual properties and their expansion, not to mention to support the vehicle development process as we approach concept vehicle approval and commence with prototype development of our first luxury lead model application. The planned implementation of numerous sedans and SUV models, and key innovative projects will undoubtedly and effectively enhance the Group's development in the foreseeable future.

The Group has also been developing, among other things, technologies of powertrain, series of batteries and micro-turbine range extender and equipped itself with the capability of manufacturing the whole new energy vehicles on its own. The Group has been actively seeking collaboration opportunities with potential business partners and investors in furtherance of the development and expansion of the business of the Group.

On 9 June 2019, Shanghai Gonggen Motors Technology Company Limited*（上海貢亘汽車科技有限公司）(“Shanghai Gonggen”), a wholly-owned subsidiary of the Company, entered into a licensing agreement (the “Licensing Agreement”) with Fujian Bangzhu Hybrid Kinetic New Energy Industrial Park Company Limited*（福建邦竹正道新能源產業園有限公司）(“FBHK”) pursuant to which Shanghai Gonggen agreed to license intellectual properties and technical know-how to FBHK for the design, development, manufacturing and sale of new energy vehicles in the Fujian province for a period of ten years from 9 June 2019 for a non-refundable licence fee of RMB640 million (which is to be settled by FBHK within 90 days after the signing of the Licensing Agreement). Shanghai Gonggen is also entitled to receive from FBHK, on a quarterly basis, royalties (which is calculated based on 2.5% of the revenue of FBHK) over the course of the licensed period. We believe that the licensing arrangement contemplated under the Licensing Agreement, when implemented, will enhance the revenue stream of the Group. Please refer to the Company’s announcement dated 11 June 2019 for details.

For the Period, there is no revenue from this segment (2018: HK$42,000).

Advanced batteries materials

The Group is dedicated to the research and development of advanced batteries materials and has an experienced team of experts with diverse expertise in energy management, system controls, power conversion and energy storage technologies for automobiles. During the Period, we had applied our graphene technologies to enhance the conductivity of our high voltage battery packs to allow faster charging for integrating into the initial stages of the powertrain and vehicle development.

To further promote technological advancements that drive innovation, raise efficiencies and enhance safety, the Group has been collaborating with academic and research institutions from time to time to conduct research in auto technology and related materials. One of the Group's ongoing research projects is a 7-year project with the University of California focusing on graphene materials for automobile applications, which is expected to be completed in 2020.

To protect intellectual property rights, the Group has obtained patent registration with the United States Patent and Trademark Office in respect of our interest in the rights to an invention (namely, "NANOPOROUS GRAPHENE NANOWIRES AND PRODUCING METHODS AND APPLICATIONS OF SAME") under the patent number US9,796,592 B2.

For the Period, there was no revenue recorded from this segment of business (2018: Nil).

PROSPECTS

The automotive industry is constantly evolving. The transformation propels the Group as one of the industry players to find ways to strengthen its capabilities as well as to diverse or transform its business models and processes across the value chain (whether in the design, development, manufacture, marketing and/or sale of automobiles and related materials) to align with the new sources of growth and value creation.

It has always been the Company's strategy to explore opportunities with its business partners or potential investors to enhance the Group's technological innovation, financial resources and other capabilities to help drive the Group's technology enablement and transformation decision for materialising the manufacture of new energy vehicles designed or developed by the Group and its plans for business expansion, which are crucial to the Group's future success in the automotive industry.

We believe that the collaboration with FBHK (announced by the Company in June 2019) through the licensing arrangement by the Group to FBHK of intellectual properties and technology know-how for the design, development, manufacturing and sale of new energy vehicles in the Fujian Province in return for license fee and royalties from FBHK enhances the income stream of the Group, as well as the opportunity to cooperate with FBHK to establish a manufacturing base in the Fujian Province will help create a new source of growth for the Group. The Group is negotiating with other potential business partners for the expansion of its business in other provinces of China, which have expressed interests in similar business arrangement. The Group will actively pursue these potential business opportunities.

Further, the Group has been actively seeking collaboration opportunities with potential business partners and investors to expand the business and to alleviate liquidity pressure of the Group. Some potential collaborations are at an advanced negotiation stage. The Company will comply with the applicable Listing Rules if any agreement is reached on such potential collaboration(s).

MATERIAL ACQUISITION OR DISPOSAL

During the Period, the Group did not have material acquisition or disposal of assets or any future plans for material investment or capital assets (other than existing projects (including research and development projects disclosed in this announcement)).

OTHER INFORMATION

Update on the Legal Proceedings in the US against members of the Group

As disclosed in the Company's annual report for the year ended 31 December 2018 regarding, among the other things, the lawsuit commenced by Townsend Ventures LLC, XALT Energy LLC and XALT Energy MI, LLC (collectively, "XALT") against the Company and one of its wholly-owned subsidiaries, Billion Energy Holdings Limited ("Billion Energy"), the supply agreement dated 25 March 2015 entered into between Billion Energy and XALT Energy MI, LLC for the supply of battery cells was at the core of a civil lawsuit (the "Lawsuit") commenced by XALT in the United States District Court for the Northern District of Maryland (the "U.S. District Court"), located Baltimore Maryland. In August 2017, the U.S. District Court granted the Company's motion to compel that all claims in the Lawsuit be subject to binding arbitration in Hong Kong, before the Hong Kong International Arbitration Centre. The U.S. District Court ordered the Lawsuit stayed, and administratively closed, unless and until there is a conclusion to such an arbitration. The U.S. District Court therefore will not preside over the Lawsuit, although it may consider an application to enter a judgement if and when there is a final order after arbitration before the Hong Kong Arbitration Centre. The parties to the Lawsuit are ordered to report back to the U.S. District Court after conclusion of any arbitration proceeding in Hong Kong.

Since the issue of the U. S. District Court's order and to the best of our Directors' knowledge, XALT has not taken any steps to initiate any action or arbitration in Hong Kong.

During the Period, the Company had continued to use its best efforts to attempt to discuss with the management of XALT with a view to resolving the Lawsuit. However, there had been no constructive progress from the discussion due to a substantial change in XALT's shareholding structure and the disruption caused by the departure of a principal officer of the Group who was delegated to negotiate with XALT. The Company will resume and continue the negotiation with XALT as early as practicable.

To expedite the resolution of the Lawsuit, the Company may initiate the arbitration process in Hong Kong, and legal advisors have been engaged to handle the matter. The arbitration, if initiated, may take some considerable time before reaching any conclusion.

It is not entirely within the control of the Company as to whether or when the legal dispute or claims with XALT will be concluded. The Company will continue to use its best endeavours to communicate with XALT and seek legal and other professional advice on the appropriate strategies and courses of actions that may be taken from time to time in the hope of resolving expeditiously the dispute and claims with XALT while safeguarding the Group's interests.

The GBS Disposal

On 16 July 2018, the Group entered into three several conditional equity transfer agreements in relation to the disposal of its entire interest in 浙江佳貝思綠色能源有限公司 (Zhejiang GBS Energy Co., Ltd.*) ("GBS") (representing an aggregate of 25% of the entire equity interest of GBS) for a total consideration of RMB88,614,062.38 (equivalent to approximately HK$106,408,000) (the"GBS Disposal"). The GBS Disposal constituted a very substantial disposal for the Company under Chapter 14 of the Listing Rules. Please refer to the Company's circular dated 27 August 2018 for details of the GBS Disposal.

As at 30 June 2019, the Group received the net proceeds of approximately RMB82.5 million (after deducting certain tax paid to the local tax authorities) from the GBS Disposal, and the remaining balance of approximately RMB2.1 million was yet to be paid due to pending tax clearance from the local authorities. The Company will issue an announcement to inform its shareholders when the legal formalities for the GBS Disposal are completed.

FUND RAISING ACTIVITIES AND USE OF PROCEED DURING THE PERIOD

During the Period, the Company had not undertaken any fund raising activity.

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

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

LIQUIDITY AND FINANCIAL RESOURCES, CAPITAL STRUCTURE AND TREASURY POLICY

As at 30 June 2019, the total equity of the Group amounted to approximately HK$1,160.0 million (31 December 2018: HK$1,239.0 million).

The gearing ratio of the Group as at 30 June 2019 measured in terms of total liabilities divided by shareholders' equity was approximately 7.03% (31 December 2018: 4.94%).

As at 30 June 2019, net current assets of the Group were approximately HK$493.8 million (31 December 2018: HK$552.0 million). The cash and cash equivalents amounted to HK$15.6 million (31 December 2018: HK$45.8 million). The Group did not have outstanding borrowings (31 December 2018: Nil).

The Group adopts a conservative and balanced treasury policy in cash and financial management. The Group's cash is generally placed as deposits mostly denominated in Hong Kong dollars, United States dollars or Renminbi. To manage liquidity risk, the Group regularly reviews liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

PLEDGE OF THE GROUP'S ASSETS

As at 30 June 2019, the Group had pledged its bank deposits of approximately HK$2.0 million (31 December 2018: HK$2.0 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 dollars and/or United States dollars. The Group had no significant exposure to foreign exchange fluctuations and, therefore, had not taken any financial instruments for hedging purpose.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group had a total of approximately 157 employees as at 30 June 2019 (31 December 2018: 228 employees). It has been the Group's policy to ensure that the remuneration levels of the Directors and its employees are reviewed and rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Share options may also be granted under the share option scheme adopted by the Company to the Directors and employees of the Group to attract, retain and incentivise them to work and make contribution towards the long term growth and development of the Group.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained 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 Period.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company had reviewed and discussed with the management of the Company the Group's condensed consolidated financial statements for the Period. The interim results of the Group for the Period are unaudited and have been reviewed by the auditors of the Company.

PUBLICATION OF THE INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2019 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, 30 August 2019

As at the date of this announcement, the Board comprises nine executive Directors, namely Dr Yeung Yung (Chairman), 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 Dr Song Jian, Dr Zhu Guobin, Mr Cheng Tat Wa, Dr Li Jianyong, Mr Chan Sin Hang and Mr Lee Cheung Yuet, Horace.

* *For identification purposes only*