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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 2021

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 2021 (the “**Period**”) together with the comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

| | <i>Notes</i> | Six months ended 30 June | |
|---|--------------|--|--|
| | | 2021 <i>HK\$'000</i> (Unaudited) | 2020 <i>HK\$'000</i> (Unaudited) |
| Revenue | 5 | 1,070 | 1,764 |
| Cost of sales | | (747) | (1,620) |
| Gross profit | | 323 | 144 |
| Other income | | 14 | 1,228 |
| Distribution costs and general operating expenses | | (17,767) | (21,764) |
| Share of results of associates | | (3,511) | (3,931) |
| Loss from operations | | (20,941) | (24,323) |
| Finance costs | 6 | (195) | (491) |

| | | Six months ended 30 June | |
|---|--------------|---------------------------------|--------------------|
| | | 2021 | 2020 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Loss before tax | | (21,136) | (24,814) |
| Income tax expense | 7 | <u>–</u> | <u>–</u> |
| Loss for the period | 8 | <u>(21,136)</u> | <u>(24,814)</u> |
| Other comprehensive loss: | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations – Group | | (3,068) | (3,171) |
| Exchange differences on translating foreign operations – associates | | <u>(1,483)</u> | <u>(3,449)</u> |
| Other comprehensive loss for the period | | <u>(4,551)</u> | <u>(6,620)</u> |
| Total comprehensive loss for the period | | <u>(25,687)</u> | <u>(31,434)</u> |
| Loss for the period attributable to: | | | |
| Owners of the Company | | (21,120) | (24,736) |
| Non-controlling interests | | <u>(16)</u> | <u>(78)</u> |
| | | <u>(21,136)</u> | <u>(24,814)</u> |
| Total comprehensive loss for the period attributable to: | | | |
| Owners of the Company | | (25,685) | (30,827) |
| Non-controlling interests | | <u>(2)</u> | <u>(607)</u> |
| | | <u>(25,687)</u> | <u>(31,434)</u> |
| Loss per share | | | |
| Basic and diluted (<i>cents per share</i>) | 10 | <u>(0.10)</u> | <u>(0.12)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

| | <i>Notes</i> | At 30 June 2021 <i>HK\$'000</i> (Unaudited) | At 31 December 2020 <i>HK\$'000</i> (Audited) |
|---|--------------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 11 | 2,612 | 8,967 |
| Investment in associates | | 165,449 | 167,604 |
| Equity investments at fair value through other comprehensive income | | 15,098 | 14,965 |
| | | <u>183,159</u> | <u>191,536</u> |
| Current assets | | | |
| Inventories | 12 | 2,487 | 2,688 |
| Prepayments, deposits and other receivables | 13 | 470,942 | 481,013 |
| Bank and cash balances | | 17,059 | 35,398 |
| | | <u>490,488</u> | <u>519,099</u> |
| Current liabilities | | | |
| Trade and other payables | 14 | 88,262 | 92,761 |
| Loan from a shareholder | 15 | 98,844 | 98,824 |
| Lease liabilities | | 4,033 | 10,620 |
| | | <u>191,139</u> | <u>202,205</u> |
| Net current assets | | <u>299,349</u> | <u>316,894</u> |
| Non-current liabilities | | | |
| Lease liabilities | | 397 | 632 |
| NET ASSETS | | <u>482,111</u> | <u>507,798</u> |
| Capital and reserves | | | |
| Share capital | | 2,035,287 | 2,035,287 |
| Reserves | | (1,554,839) | (1,529,154) |
| Equity attributable to owners of the Company | | 480,448 | 506,133 |
| Non-controlling interests | | 1,663 | 1,665 |
| TOTAL EQUITY | | <u>482,111</u> | <u>507,798</u> |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, 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 development of high-tech electric motor vehicles, development and sales of battery management systems and spare parts and 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 disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

These condensed financial statements should be read in conjunction with the 2020 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 2020.

3. GOING CONCERN BASIS

The Group incurred a loss of HK\$21,136,000 and operating cash out flow of HK\$10,156,000 for the six months ended 30 June 2021. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These condensed consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the major shareholder, at a level sufficient to finance the working capital requirements of the Group. The major shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due. The directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

4. 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 2021. 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.

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.

5. REVENUE AND SEGMENT INFORMATION

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

| | High-tech electric motor vehicles <i>HK\$'000</i> (Unaudited) | Battery management systems and spare parts <i>HK\$'000</i> (Unaudited) | Advanced batteries materials <i>HK\$'000</i> (Unaudited) | Total <i>HK\$'000</i> (Unaudited) |
|-----------------------------------|--|---|---|--|
| Period ended 30 June 2021: | | | | |
| Revenue | – | 1,070 | – | 1,070 |
| Segment loss | (6,853) | (471) | (39) | (7,363) |
| At 30 June 2021: | | | | |
| Segment assets | 455,692 | 25,960 | 2,288 | 483,940 |
| Segment liabilities | <u>6,832</u> | <u>24,648</u> | <u>24</u> | <u>31,504</u> |
| Period ended 30 June 2020: | | | | |
| Revenue | – | 1,764 | – | 1,764 |
| Segment loss | (6,581) | (1,962) | (71) | (8,614) |
| At as 31 December 2020: | | | | |
| Segment assets (audited) | 434,690 | 28,599 | 2,242 | 465,531 |
| Segment liabilities (audited) | <u>7,109</u> | <u>24,428</u> | <u>4</u> | <u>31,541</u> |

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

| | Six months ended 30 June | |
|---|---------------------------------|------------------------|
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Revenue: | | |
| Total revenue of reportable segments and consolidated revenue | <u><u>1,070</u></u> | <u><u>1,764</u></u> |
| Profit or loss: | | |
| Total loss of reportable segments | (7,363) | (8,614) |
| Corporate and unallocated profit or loss | <u>(13,773)</u> | <u>(16,200)</u> |
| Consolidated loss for the period | <u><u>(21,136)</u></u> | <u><u>(24,814)</u></u> |

| | At 30 June | At 31 December |
|---|---------------------------------|----------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| Assets: | | |
| Total assets of reportable segments | 483,940 | 465,531 |
| Corporate and unallocated assets: | | |
| – Equity investments at fair value through other comprehensive income | 15,098 | 14,965 |
| – Bank and cash balances held by the Group's headquarter | 888 | 17,397 |
| – Others | 173,721 | 212,742 |
| | <hr/> | <hr/> |
| Consolidated total assets | 673,647 | 710,635 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Liabilities: | | |
| Total liabilities of reportable segments | 31,504 | 31,541 |
| Corporate and unallocated liabilities | | |
| – Others | 160,032 | 171,296 |
| | <hr/> | <hr/> |
| Consolidated total liabilities | 191,536 | 202,837 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Breakdown of revenue: | | |
| | Six months ended 30 June | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Sales of batteries and spare parts | 1,070 | 1,764 |
| | <hr/> | <hr/> |
| Revenue from contracts with customers | 1,070 | 1,764 |
| | <hr/> <hr/> | <hr/> <hr/> |

Disaggregation of revenue from contracts with customers:

| Segments | Six months ended 30 June 2021 | | | |
|------------------------------------|---|---|--|---|
| | High-tech electric motor vehicles <i>HK\$'000</i> (Unaudited) | Battery management systems and spare parts <i>HK\$'000</i> (Unaudited) | Advanced batteries materials <i>HK\$'000</i> (Unaudited) | Total <i>HK\$'000</i> (Unaudited) |
| Geographical markets | | | | |
| PRC | – | 1,070 | – | 1,070 |
| Major products/service | | | | |
| Sales of batteries and spare parts | – | 1,070 | – | 1,070 |
| Timing of revenue recognition | | | | |
| At a point in time | – | 1,070 | – | 1,070 |
| | | | | |
| Segments | Six months ended 30 June 2020 | | | |
| | High-tech electric motor vehicles <i>HK\$'000</i> (Unaudited) | Battery management systems and spare parts <i>HK\$'000</i> (Unaudited) | Advanced batteries materials <i>HK\$'000</i> (Unaudited) | Total <i>HK\$'000</i> (Unaudited) |
| Geographical markets | | | | |
| PRC | – | 1,764 | – | 1,764 |
| Major products/service | | | | |
| Sales of batteries and spare parts | – | 1,764 | – | 1,764 |
| Timing of revenue recognition | | | | |
| At a point in time | – | 1,764 | – | 1,764 |

6. FINANCE COSTS

| | Six months ended 30 June | |
|-----------------|--------------------------|-----------------|
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Lease interests | <u>195</u> | <u>491</u> |

7. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Current tax – PRC Enterprise Income Tax | | |
| – Provision for the period | <u>–</u> | <u>–</u> |

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong during the period (2020: 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.

8. LOSS FOR THE PERIOD

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

| | Six months ended 30 June | |
|---|--------------------------|--------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Cost of inventories sold | 747 | 1,620 |
| Depreciation | 6,080 | 9,020 |
| Gain on disposal of property, plant and equipment | (769) | – |
| Research and development costs | 48 | 1,151 |
| Staff costs including directors' emoluments | | |
| – Salaries, bonus and allowances | 9,220 | 7,926 |
| – Retirement benefits scheme contributions | 628 | 554 |
| | 9,848 | 8,480 |

9. DIVIDENDS

The Directors do not recommend or declare the payment of any dividend in respect of the periods ended 30 June 2021 and 2020.

10. 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\$21,120,000 (2020: approximately HK\$24,736,000) and the weighted average number of 20,352,873,000 (2020: 20,352,873,000) ordinary shares in issue during the period.

Diluted loss per share

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

11. PROPERTY, PLANT AND EQUIPMENT

During the period, no property, plant and equipment was acquired by the Group (2020: Nil).

12. INVENTORIES

| | At 30 June | At 31 December |
|----------------|------------------------|-----------------|
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Audited) |
| Raw materials | 1,052 | 1,278 |
| Finished goods | 1,380 | 1,355 |
| Consumables | 55 | 55 |
| | <u>2,487</u> | <u>2,688</u> |

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | At 30 June | At 31 December |
|--------------------------------|------------------------|-----------------|
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Audited) |
| Prepayment to a supplier | 332,641 | 332,641 |
| Prepayments to others | 13,002 | 12,718 |
| Deposits and other receivables | 120,187 | 127,764 |
| Amounts due from directors | 5,112 | 7,890 |
| | <u>470,942</u> | <u>481,013</u> |

14. TRADE AND OTHER PAYABLES

| | At 30 June 2021 <i>HK\$'000</i> (Unaudited) | At 31 December 2020 <i>HK\$'000</i> (Audited) |
|-----------------------------|--|--|
| Trade payables | 5,935 | 5,880 |
| Accruals and other payables | <u>82,327</u> | <u>86,881</u> |
| | <u>88,262</u> | <u>92,761</u> |

Trade payable

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

| | At 30 June 2021 <i>HK\$'000</i> (Unaudited) | At 31 December 2020 <i>HK\$'000</i> (Audited) |
|---------------|--|--|
| Over 360 days | <u>5,935</u> | <u>5,880</u> |
| | <u>5,935</u> | <u>5,880</u> |

15. LOAN FROM A SHAREHOLDER

The loan from a shareholder is unsecured, interest-free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION

Overview

As a result of the outbreak of the novel coronavirus (COVID-19), normal business interactions remained stagnant in the first half of 2021, which led to the decrease in revenue as compared to the corresponding period in 2020. The Group's revenue and gross profit for the Period amounted to approximately HK\$1.1 million and HK\$0.3 million as compared to HK\$1.8 million and HK\$0.1 million in the same period of last year.

Nevertheless, the Group implemented effective and strict cost control policies, the distribution costs and general operating expenses for the Period decreased to approximately HK\$17.8 million (2020: HK\$21.8 million), which consisted of research and development cost of approximately HK\$0.05 million (2020: HK\$1.2 million), employee benefit expenses (including wages and salaries, pension costs and other benefits) of approximately HK\$9.8 million (2020: HK\$8.5 million) and depreciation expenses of approximately HK\$6.1 million (2020: HK\$9.0 million).

As a result of the above factors, the loss for the Period of the Group decreased to approximately HK\$21.1 million (2020: HK\$24.8 million) and the loss attributable to shareholders for the Period amounted to approximately HK\$21.1 million (2020: HK\$24.7 million).

Development of battery technology

The high voltage battery pack strategy developed by the Group utilizes one common battery cell and module within the pack for all vehicles. The battery's charging control system has been developed to intelligently allow the battery to charge in both AC (alternating current) and DC (direct current) fast charging modes, while a highly efficient low emission turbo charged two cylinder engine is used as the power source to charge the battery and extend the range of the vehicle.

For the Period, the total revenue derived from the sale of battery management systems and spare parts amounted to approximately HK\$1.1 million (2020: HK\$1.8 million).

Continuous development of high-tech electric motor vehicles

As regards the high-tech electric motor vehicles business, the Group believes that the demand for high-tech, clean and sustainable transportation will continue to grow under the global trend of urbanization and proactive imposition of environmental regulations. The comparatively flexible size of the Group's battery pack allows the vehicle model to be offered in the Group's product portfolio to have a unique exterior and interior design.

The Group continues to source, identify and secure quality manufacturers and/or suppliers with high-level engineering and/or manufacturing capacities from worldwide for the Group's automotive innovations and products. The Group has also been seeking collaboration opportunities with potential business partners to continue to develop our electric vehicles.

PROSPECTS

The Company has a long-term commitment to the global automobile industry, and which the industry is constantly evolving.

Since the outbreak of COVID-19 at the end of December 2019, the pandemic has been menacing and impacted on the global business environment. No industry player in the auto industry was immune to the effects of COVID-19.

Despite the uncertainties on the global economic prospect brought by the COVID-19 pandemic, the Group remains confident in the automobile market, especially in the PRC as it is the world's largest automobile market and was among the first major economies to recover from COVID-19. In addition, given the PRC government is keen on combating air pollution, narrowing the competitive gap between the global rivals and its domestic automakers, we believe that the development of new energy vehicles and its related products and advanced battery technology will continue to be a focus of global and domestic interest and a major trend in improving air pollution and enhancing economic sustainability.

Leveraging on the Group's expertise in advanced battery technology, the Group will continue its efforts in exploring collaboration opportunities with existing and potential business partners in the application of its advanced battery technology by, among other things, providing technical configuration advice, material specification and optimisation process service in advanced batteries materials. The Board is of the view that the Group's expertise in advanced battery technology is the key to drive the Group's business and generate new stream of revenue for the Group as and when the opportunities arise.

The Group will continue to seek opportunities for strategic investment, cooperation and/or collaboration with renowned organizations, institutions, experts and/or other strategic alliances with a view to exploring ways to strengthen 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 sustainable development, expansion and diversification of the Group's businesses.

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)).

OTHER INFORMATION

(1) Update on the legal proceedings against members of the Group

(1) Legal dispute with XALT

As regards the attempts of the Group to settle the dispute and the subsequent civil lawsuit against the Company and one of its wholly-owned subsidiaries, Billion Energy Holdings Limited ("**Billion Energy**"), initiated in 2017 by Townsend Ventures LLC, XALT Energy LLC and XALT Energy MI, LLC (collectively, "**XALT**"), which centered on the supply agreement dated 25 March 2015 entered into between Billion Energy and XALT Energy MI, LLC for the supply of battery cells (as disclosed and referred to in the 2020 annual report of the Company (the "**2020 Annual Report**")), the Company has continued to seek legal advice to prepare for the initiation of the arbitration proceedings while exploring possible mediation with XALT.

The preparation of the arbitration process and the possible mediation, however, had not shown much progress during the Period primarily due to (i) a change in shareholding structure and management of XALT; (ii) a change in the principal officer of the Group in charge of the negotiations; and (iii) the prevalence of the COVID-19 pandemic, which had undermined and delayed the progress of negotiation or the work for the preparation of the application for arbitral proceedings. Further, since the COVID-19 had unleashed an unprecedented crisis globally during the Period, the Board considered it appropriate to accord priority to the preservation and enhancement of the financial strength and other resources of the Group, and only to pursue litigation or arbitral proceedings as a last resort.

While it is not entirely within the control of the Company as to whether or when the legal dispute or civil lawsuit will be resolved or concluded, the Group will continue to make efforts to, among other things, proactively approach the new management of XALT to re-activate the negotiations so as to seek a mutually acceptable solution to resolve the dispute and the lawsuit amicably and more expeditiously, seek professional advice on the Group's strategies over the resolution of the dispute (including the appropriate timing for initiation of the arbitration process or taking other alternative actions) and of the Group's position, as well as the legal recourse over the recovery of the prepayment previously made by the Group to XALT pursuant to the terms of the supply agreement to safeguard the interests of the Group.

The Company will make further announcement(s) to keep its shareholders informed of any material development as and when appropriate.

(2) Impact of the COVID-19 pandemic

The Company has been assessing the implications of the COVID-19 pandemic to the business in which the Group operates from time to time. While the Company is carrying on its normal day-to-day operations, the negative impact on the socio-economic activity globally as a result of the prevalence of the COVID-19 pandemic might stifle the growth and business development of the Group. As a consequence, the Group might experience continued negative results, liquidity restraints and impairment of its assets. As the challenges are unprecedented, the exact impact of the COVID-19 pandemic in the second half of 2021 cannot be predicted with certainty.

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 2021, the total equity of the Group amounted to approximately HK\$482.1 million (31 December 2020: HK\$507.8 million).

The gearing ratio of the Group as at 30 June 2021 measured in terms of total liabilities divided by shareholders' equity was approximately 39.73% (31 December 2020: 39.94%).

As at 30 June 2021, net current assets of the Group were approximately HK\$299.3 million (31 December 2020: HK\$316.9 million). The cash and cash equivalents amounted to HK\$17.1 million (31 December 2020: HK\$35.4 million). The Group had an outstanding shareholder's loan of HK\$98.8 million (31 December 2020: HK\$98.8 million), which was unsecured, interest-free and repayable on demand.

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 2021, none of the assets of the Group had been pledged (31 December 2020: HK\$Nil) 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 60 employees as at 30 June 2021 (31 December 2020: 60 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 condensed consolidated financial statements of the Group for the Period. The interim results of the Group for the Period are unaudited and have been reviewed by the auditor of the Company.

CONTINUED SUSPENSION OF TRADING IN SHARES

As disclosed in the 2020 Annual Report, the Company's auditor, ZHONGHUI ANDA CPA Limited (the "**Auditor**") did not express an opinion (the "**Disclaimer of Opinion**") on the consolidated financial statements of the Group for the year ended 31 December 2020 ("**YR2020**") because the Auditor was unable to obtain sufficient appropriate audit evidence on certain matters (the "**Audit Issues**") as summarized in the Independent Auditor's Report contained in the 2020 Annual Report. Please refer to the 2020 Annual Report for details of the circumstances leading to the Audit Issues and the views of the Audit Committee and the Board on the Disclaimer of Opinion.

As mentioned in the Company's announcement dated 22 June 2021, the Company received a letter from the Stock Exchange on 17 June 2021 in which the Stock Exchange (i) expressed its concerns that the Company did not maintain a sufficient level of operation and assets to comply with Rule 13.24 of the Listing Rules and (ii) set out the resumption guidance (the "**Resumption Guidance**") for the Company to (a) address the Audit Issues giving rise to the Disclaimer of Opinion, provide comfort that the Disclaimer of Opinion in respect of the Audit Issues would no longer be required and disclose sufficient information to enable investors to make an informed assessment of its financial positions as required under Rule 13.50A of the Listing Rules; (b) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules; and (c) inform the market of all material information for the Company's shareholders and investors to appraise the Company's position. In addition, the Stock Exchange has set out further guidance relating to Rule 6.01A of the Listing Rules (the "**Further Guidance**") which states that the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period under Rule 6.01A(1) expires on 30 September 2022. If the Company fails to remedy the issues causing its trading suspension, fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in its Shares by 30 September 2022, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter remedial period, where appropriate.

The Company is required to remedy the issue(s) causing its trading suspension and fully comply with the Listing Rules to the satisfaction of the Stock Exchange before trading in its securities is allowed to resume. For this purpose, the Company has the primary responsibility to devise its action plan for resumption. The Stock Exchange may modify or supplement the Resumption Guidance if the Company's situation changes.

The Company is in the course of consulting its professional advisers and taking appropriate steps to address the Stock Exchange's concerns, fulfil and comply with the requirements under the Resumption Guidance and the Further Guidance. The Company will keep its shareholders and potential investors informed of the progress as and when appropriate.

Trading in the Shares on the Stock Exchange has been suspended since 1 April 2021 and will remain suspended until further notice.

PUBLICATION OF THE INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2021 will be published on the website of the Stock Exchange (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 2021

As at the date of this announcement, the Board comprises six executive Directors, namely Dr Yeung Yung (Chairman), Mr Feng Rui (Chief Executive Officer), Mr Liu Stephen Quan, Dr Zhu Shengliang, Mr Li Zhengshan and Mr Chen Xiao, one non-executive Director, namely Dr Xia Tingkang, Tim and five independent non-executive Directors, namely Dr Zhu Guobin, Mr Cheng Tat Wa, Dr Li Jianyong, Mr Chan Sin Hang and Mr Lee Cheung Yuet Horace.