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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 2023

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 2023 (the “**Period**”) together with the comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	5	–	–
Cost of sales		–	–
Gross profit		–	–
Other income		8	94
Distribution costs and general operating expenses		(9,586)	(14,878)
Loss from operations		(9,578)	(14,784)
Finance costs	6	(32)	(87)

	<i>Notes</i>	Six months ended 30 June	
		2023	2022
		<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
Loss before tax		(9,610)	(14,871)
Income tax expense	7	<u>–</u>	<u>–</u>
Loss for the period	8	<u>(9,610)</u>	<u>(14,871)</u>
Other comprehensive income/(loss):			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations – Group		1,506	(402)
Exchange differences on translating foreign operations – associates		<u>–</u>	<u>(7,112)</u>
Other comprehensive income/(loss) for the period		<u>1,506</u>	<u>(7,514)</u>
Total comprehensive loss for the period		<u>(8,104)</u>	<u>(22,385)</u>
Loss for the period attributable to:			
Owners of the Company		(9,580)	(14,854)
Non-controlling interests		<u>(30)</u>	<u>(17)</u>
		<u>(9,610)</u>	<u>(14,871)</u>
Total comprehensive loss for the period attributable to:			
Owners of the Company		(8,002)	(22,330)
Non-controlling interests		<u>(102)</u>	<u>(55)</u>
		<u>(8,104)</u>	<u>(22,385)</u>
Loss per share			
Basic and diluted (<i>cents per share</i>)	10	<u>(0.05)</u>	<u>(0.07)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	At 30 June 2023 <i>HK\$'000</i> (Unaudited)	At 31 December 2022 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	11	369	423
Equity investments at fair value through other comprehensive income		—	—
		<u>369</u>	<u>423</u>
Current assets			
Trade and other receivables	12	15,537	21,450
Bank and cash balances		4,220	7,541
		<u>19,757</u>	<u>28,991</u>
Current liabilities			
Trade and other payables	13	92,092	92,340
Loan from a shareholder	14	114,204	114,300
Lease liabilities		1,239	1,449
		<u>207,535</u>	<u>208,089</u>
Net current liabilities		<u>(187,778)</u>	<u>(179,098)</u>
Non-current liabilities			
Lease liabilities		<u>213</u>	<u>843</u>
NET LIABILITIES		<u>(187,622)</u>	<u>(179,518)</u>
Capital and reserves			
Share capital		2,035,287	2,035,287
Reserves		(2,224,286)	(2,216,284)
Equity attributable to owners of the Company		<u>(188,999)</u>	<u>(180,997)</u>
Non-controlling interests		1,377	1,479
TOTAL EQUITY		<u>(187,622)</u>	<u>(179,518)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company									
	Share capital	Share premium	Translation reserve	Share-based payment reserve	Equity revaluation reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2022	2,035,287	2,123,214	(41,908)	299,226	(23,901)	(55,743)	(3,872,868)	463,307	1,696	465,003
Total comprehensive loss for the period	-	-	(7,476)	-	-	-	(14,854)	(22,330)	(55)	(22,385)
At 30 June 2022	<u>2,035,287</u>	<u>2,123,214</u>	<u>(49,384)</u>	<u>299,226</u>	<u>(23,901)</u>	<u>(55,743)</u>	<u>(3,887,722)</u>	<u>440,977</u>	<u>1,641</u>	<u>442,618</u>
At 1 January 2023	2,035,287	2,123,214	(51,344)	274,118	(23,901)	(70,363)	(4,468,008)	(180,997)	1,479	(179,518)
Total comprehensive loss for the period	-	-	1,578	-	-	-	(9,580)	(8,002)	(102)	(8,104)
At 30 June 2023	<u>2,035,287</u>	<u>2,123,214</u>	<u>(49,766)</u>	<u>274,118</u>	<u>(23,901)</u>	<u>(70,363)</u>	<u>(4,477,588)</u>	<u>(188,999)</u>	<u>1,377</u>	<u>(187,622)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	<u>(2,635)</u>	<u>(7,256)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	<u>–</u>	<u>(12)</u>
Net cash used in investing activities	<u>–</u>	<u>(12)</u>
Cash flows from financing activities		
Advance from a shareholder	–	7,748
Repayment for lease liabilities	<u>(872)</u>	<u>(1,002)</u>
Net cash (used in)/generated from financing activities	<u>(872)</u>	<u>6,746</u>
Net decrease in cash and cash equivalents	(3,507)	(522)
Cash and cash equivalents at beginning of period	7,541	16,435
Effect of changes in foreign exchange rate	<u>186</u>	<u>(212)</u>
Cash and cash equivalents at end of period	<u>4,220</u>	<u>15,701</u>
Analysis of cash and cash equivalents		
Bank and cash balances	<u>4,220</u>	<u>15,701</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 Unit 1002, 10th Floor, Infinitus Plaza, 199 Des Voeux Road Central, 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 (the "**Listing Rules**").

These condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022 ("**2022 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 2022 Annual Financial Statements.

3. GOING CONCERN BASIS

The Group incurred a loss of approximately HK\$9,610,000 and operating cash outflow of approximately HK\$2,635,000 for the six months ended 30 June 2023 and as at 30 June 2023, the Group had net current liabilities of approximately HK\$187,778,000. 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 i) financial support from the major shareholder of the Company, at a level sufficient to finance the working capital requirements of the Group; ii) the completion of the subscription of new shares in the Company under general mandate as disclosed in the announcements of the Company dated 26 September 2022 and 16 February 2023; and iii) the completion of the subscription of convertible bonds to be issued by the Company under the general mandate as disclosed in the announcements of the Company dated 29 May 2023, 14 June 2023 and 3 July 2023. The major shareholder has agreed to provide adequate funds and the respective subscribers have conditionally agreed to subscribe for new shares and convertible bonds in the Company respectively providing 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 condensed 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 condensed 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 2023. 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	Battery management systems and spare parts	Advanced batteries materials	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Period ended 30 June 2023:				
Revenue	–	–	–	–
Segment loss	(1,864)	(180)	(76)	(2,120)
At 30 June 2023:				
Segment assets	2,232	332	202	2,766
Segment liabilities	<u>6,168</u>	<u>5,384</u>	<u>1</u>	<u>11,553</u>
Period ended 30 June 2022:				
Revenue	–	–	–	–
Segment loss	(2,765)	(424)	(78)	(3,267)
At as 31 December 2022:				
Segment assets (audited)	3,670	345	248	4,263
Segment liabilities (audited)	<u>6,331</u>	<u>6,015</u>	<u>1</u>	<u>12,347</u>

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

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue:		
Total revenue of reportable segments and consolidated revenue	<u>–</u>	<u>–</u>
Profit or loss:		
Total loss of reportable segments	(2,120)	(3,267)
Corporate and unallocated profit or loss	<u>(7,490)</u>	<u>(11,604)</u>
Consolidated loss for the period	<u>(9,610)</u>	<u>(14,871)</u>

	At 30 June	At 31 December
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Assets:		
Total assets of reportable segments	2,766	4,263
Corporate and unallocated assets:		
– Bank and cash balances held by the Group’s headquarters	267	1,520
– Others	17,093	23,631
	<u> </u>	<u> </u>
Consolidated total assets	20,126	29,414
	<u> </u>	<u> </u>
Liabilities:		
Total liabilities of reportable segments	11,553	12,347
Corporate and unallocated liabilities		
– Others	196,195	196,585
	<u> </u>	<u> </u>
Consolidated total liabilities	207,148	208,932
	<u> </u>	<u> </u>

6. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Lease interests	32	87
	<u> </u>	<u> </u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax		
– Provision for the period	–	–

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong during the Period (six months ended 30 June 2022: 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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation	54	355
Research and development costs	–	37
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	7,235	7,413
– Retirement benefits scheme contributions	177	500
	<u>7,412</u>	<u>7,913</u>

9. DIVIDENDS

The Directors do not recommend or declare the payment of any dividend in respect of the Period (six months ended 30 June 2022: nil).

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 the Period attributable to owners of the Company of approximately HK\$9,580,000 (six months ended 30 June 2022: approximately HK\$14,854,000) and the weighted average number of 20,352,873,000 (six months ended 30 June 2022: 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 the Period and the six months ended 30 June 2022, respectively.

11. PROPERTY, PLANT AND EQUIPMENT

During the Period, no property, plant and equipment was acquired by the Group (the six months ended 2022: HK\$12,000).

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2023 <i>HK\$'000</i> (Unaudited)	At 31 December 2022 <i>HK\$'000</i> (Audited)
Trade receivables	853	892
Less: impairment losses	<u>(853)</u>	<u>(892)</u>
	<u>–</u>	<u>–</u>
Prepayment to a supplier	332,641	332,641
Prepayments to others	4,679	4,895
Deposits and other receivables	<u>123,345</u>	<u>130,460</u>
	460,665	467,996
Less: impairment losses	<u>(445,128)</u>	<u>(446,546)</u>
	<u>15,537</u>	<u>21,450</u>
	<u>15,537</u>	<u>21,450</u>

Trade receivables

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

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 <i>HK\$'000</i> (Audited)
0 to 60 days	<u><u>–</u></u>	<u><u>–</u></u>

13. TRADE AND OTHER PAYABLES

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 <i>HK\$'000</i> (Audited)
Trade payables	5,323	5,567
Amount due to a director	1,078	1,165
Accruals and other payables	<u>85,691</u>	<u>85,608</u>
	<u><u>92,092</u></u>	<u><u>92,340</u></u>

Trade payables

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

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 <i>HK\$'000</i> (Audited)
Over 360 days	<u><u>5,323</u></u>	<u><u>5,567</u></u>

14. LOAN FROM A SHAREHOLDER

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

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each at 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	<u>800,000,000,000</u>	<u>80,000,000</u>
	Number of shares	Amount HK\$'000
Issued and fully paid:		
At 1 January 2022, 31 December 2022 (audited), 1 January 2023 and 30 June 2023 (unaudited)	<u>20,352,872,747</u>	<u>2,035,287</u>

16. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had no other transactions and balances with its related parties during the Period.

17. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board of Directors on 31 August 2023.

MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION

BUSINESS REVIEW

The Group is principally engaged in the development and sale of battery management systems and spare parts, high-tech electric motor vehicles, and advanced batteries materials. The Group is also engaged in the provision of finance leasing services.

The Group has been engaging in the automotive batteries business since 2011. The Group has established connections with teams of experts with extensive experience and expertise in a wide variety of applications in the automotive industry, which forms part of our core strengths in the development of, among other things, advanced and high quality batteries, battery management systems and related technologies.

The global automotive industry is on fast track evolution towards electric mobility. To capture the mass market of the high-tech electric motor vehicles, the Company has put its faith in the continuous improvement of higher quality batteries, parts and technology to provide cleaner, safer and more robust power for electric vehicles.

In the first half of 2023, the sluggish economy recovery from the pandemic, the uncertain macro-economic environment and the generally cautious and conservative market sentiment had adversely affected the progress of the Group's development of electric vehicles, and significantly hindered the negotiation progress with potential business partners or investors.

As a result of the aforementioned challenges, coupled with the uncertainties in the global economy, business and sales activities of the Group had been significantly disrupted during the Period. The Group did not record any revenue and gross profit for the Period and the corresponding period last year.

The Group implemented effective and strict cost control policies, the distribution costs and general operating expenses for the Period decreased to approximately HK\$9.6 million (six months ended 30 June 2022: HK\$14.9 million), which consisted of employee benefit expenses (including wages and salaries, pension costs and other benefits) of approximately HK\$7.4 million (six months ended 30 June 2022: HK\$7.9 million) and depreciation expenses of approximately HK\$0.05 million (six months ended 30 June 2022: HK\$0.4 million).

As a result of the above factors, the loss for the Period of the Group decreased to approximately HK\$9.6 million (six months ended 30 June 2022: HK\$14.8 million) and the loss attributable to shareholders for the Period amounted to approximately HK\$9.6 million (six months ended 30 June 2022: HK\$14.8 million).

Nevertheless, the Company believes its continuous efforts and perseverance will bring the Group's business development back on track or even to the next level. These efforts include but are not limited to the research, development and deployment of technological advancement in the automotive industry, reviewing and making reforms on its on-going projects, exploring, expanding or reinforcing the cooperation and collaboration with its business alliances and/or potential business partners. The Company is confident that the Group will gradually catch up as the global economy recovers from the pandemic, and will strive to achieve the next success milestone in the automotive industry.

PROSPECT AND BUSINESS DEVELOPMENT OF THE GROUP

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

Development of electric vehicles

The Group has been engaging in the development of electric motor vehicle for over a decade.

After experiencing years of concept and prototype development, the Group possesses technological capabilities in all major areas and components for the production of an electric vehicle. After launching a series of prototypes and concept cars in various international car shows since 2017, the Group received positive feedback and continued to optimise the prototypes to improve the competitiveness of its product portfolio.

Building on the above success, the Company had formulated a plan to transit into the production stage. As such, the Group was exploring opportunities to enter into the stage of product and manufacturing process development, industrialisation and production. Nevertheless, the operation of the Group was significantly affected by the outbreak of COVID-19 as the collaboration between the international research and development team of the Group was restricted. In addition, the Group's negotiation with the business partners and authorities for the establishment of manufacturing bases were also inevitably suspended. The cautious investment sentiment has further stalled any negotiation progress with the business partners. As such, there has been no material development in the transition into the industrialisation since the outbreak of COVID-19.

Upon gradual recovery from the impact of COVID-19 in the PRC and in the event any financing opportunities materialise, the Group may commence its development plan for industrialisation, including but not limited to (i) renovation of the existing facilities for the assemble area; (ii) procurement and fine-tuning of robotic arms for production; (iii) optimisation of manufacturing process and engineering parts of the components; and (iv) obtaining the relevant permissions and registration in mass production of electric vehicles in the PRC. In the event the above implementation plan realises on or before the end of 2023, it is expected that the Company may be able to launch mass production by the end of 2024.

Proposed acquisition

To facilitate the development of electric vehicles and expansion of manufacturing capability of components of electric vehicles, the Group has continued to identify potential collaboration or acquisition opportunities.

On 28 August 2022, the Company entered into a sale and purchase agreement for a proposed acquisition of the entire equity interest of Best Knob International Limited together with its subsidiaries, (the “**Target Group**”) (the “**Acquisition**”), which are principally engaged in the manufacturing of automobile parts, including transmission gearbox, systems and accessories. Details of the Acquisition are disclosed in the announcements of the Company dated 17 October 2022 and 8 March 2023.

Leveraging on the Group’s experience, know-how and technology in battery systems and designs of high-tech electric motor vehicles, and the transmission system and customer portfolio of the Target Group, the Company considers the Acquisition may create synergy effect by (i) allowing the Group to expand its manufacturing capability for the industrialisation of its electric vehicles; (ii) expanding the sales channel of the Group’s products to leading automobile manufacturers in the PRC; (iii) integrating the supply of transmission parts of the Target Group together with the battery packs and system of the Group; and (iv) accelerating the continuous research and development of battery and electric vehicle technologies.

In the event that the above development plan materialises, the Company is confident that the Group will secure stable revenue stream to continue the development of electric vehicles and improve the profitability of the Group in the future.

Financing opportunities

On top of the ongoing financial support of the major shareholder of the Company, the Board has been proactively exploring all possible financial alternatives including but not limited to equity financing, debt financing, rights issue, open offer or bank borrowings, to finance its business development.

In particular, the Company entered into a subscription agreement for the Subscription (as defined below) in May 2023 as further set out in the section headed “Fund Raising Activities During the Period” below in this announcement.

In the event that the above financing opportunities arise or materialise, the Company is confident that it will be able implement its business development plan to develop the electric vehicle business.

MATERIAL ACQUISITION OR DISPOSAL

Save as disclosed below, the Group did not have material acquisition or disposal of assets during the Period and any future plans for material investment or capital assets.

On 28 August 2022, the Company entered into a sale and purchase agreement for the Acquisition at a consideration of HK\$392 million, which will be settled by the issuance of promissory notes in the principal amount of HK\$392 million. As at the date of this announcement, the Company is in the course of conducting financial due diligence on the Target Group, particularly the financial position of the Target Group as at 30 June 2023, and the Acquisition is yet to be completed. Details of the Acquisition are disclosed in the announcements of the Company dated 17 October 2022 and 8 March 2023.

FUND RAISING ACTIVITIES DURING THE PERIOD

On 29 May 2023, the Company and Mr. Zhou Zuan (周祖安) (the “**Subscriber**”), a third party independent of the Company and its connected persons, entered into a subscription agreement (the “**Subscription Agreement**”), pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the 2 years, 5 per cent convertible bond in the principal amount of HK\$100,000,000 (the “**Convertible Bond**”) which may be converted into a total of 1,000,000,000 new ordinary shares of the Company of HK\$0.10 each (the “**Conversion Shares**”) to be allotted and issued by the Company pursuant to the exercise of the conversion right attached to the Convertible Bond at the initial conversion price of HK\$0.10 per Conversion Share (the “**Conversion Price**”), subject to the adjustment pursuant to the terms and conditions of the Convertible Bond (the “**Subscription**”). The initial Conversion Price per Conversion Share represents a premium of approximately 244.8% over the closing price of HK\$0.029 per share of the Company as quoted on the Stock Exchange on the date of the Subscription Agreement. The net Conversion Price, after deduction of relevant expenses, is approximately HK\$0.0995 per Conversion Share. The net proceeds from the Subscription shall amount to approximately HK\$99.5 million. The Company intends to apply (i) 50% of the net proceeds for the settlement of the promissory notes to be issued by the Company under the Acquisition; (ii) 30% of the net proceeds as to working capital of the Company for business development; and (iii) 20% of the net proceeds as to general working capital of the Company. Details of the Subscription are disclosed in the announcements of the Company dated 29 May 2023, 14 June 2023 and 3 July 2023. As at the date of this announcement, the Subscription is yet to be completed.

Save for the Subscription, the Company had not undertaken any fund raising activity during the Period.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities.

SIGNIFICANT INVESTMENTS

The Group did not hold any material investments during the Period.

As at the date of this announcement, save as disclosed elsewhere in this announcement, the Group does not have any plan for material investment or capital assets for the year ending 31 December 2023.

EVENT AFTER THE PERIOD

There was no important event affecting the Group since the end of the Period up to the date of this announcement.

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 2023, the total deficiency in equity of the Group amounted to approximately HK\$187.6 million (31 December 2022: deficiency in equity of HK\$179.5 million).

The gearing ratio of the Group as at 30 June 2023 measured in terms of total liabilities divided by shareholders' equity was approximately 110.7% (31 December 2022: 116.4%).

As at 30 June 2023, the net current liabilities of the Group were approximately HK\$187.8 million (31 December 2022: net current liabilities of HK\$179.1 million), whereas the cash and cash equivalents amounted to HK\$4.2 million (31 December 2022: HK\$7.5 million). The Group has an outstanding shareholder's loan of HK\$114.2 million (31 December 2022: HK\$114.3 million) as at 30 June 2023, which is unsecured, interest-free and repayable on demand.

As at 30 June 2023, no borrowing was made by the Group.

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 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 2023, none of the assets of the Group had been pledged (31 December 2022: Nil) to the Group's bankers to secure general banking facilities granted to the Group or otherwise.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

During the Period, almost all of the income and expenditure of the Group were denominated in Renminbi, Hong Kong dollar and/or United States dollar. 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 2023 (31 December 2022: 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 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. During the Period, staff costs (including Director's remuneration) was approximately HK\$7.4 million (30 June 2022: approximately HK\$7.9 million).

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 Period, the Company has applied the principles and complied with all code provisions set out in Part 2 of the Corporate Governance Code as set out 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 as 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 Period.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed and discussed with the management of the Company the condensed financial statements of the Group for the Period and this announcement, with no disagreement. The interim results of the Group for the Period are unaudited and have been reviewed by the auditor of the Company.

PUBLICATION OF 2023 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://hk1188.etnet.com.hk>).

The Company's interim report for the Period containing the information required by Appendix 16 to the Listing Rules will be despatched to the Company's shareholders in due course.

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

Hong Kong, 31 August 2023

As at the date of this announcement, the Board comprises five executive Directors, namely Dr Yeung Yung (Chairman), Mr Feng Rui (Chief Executive Officer), Mr Liu Stephen Quan, 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.