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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)**

## **ANNUAL RESULTS ANNOUNCEMENT 2023**

The board of directors (the “**Board**” or the “**Directors**”) of Hybrid Kinetic Group Limited (the “**Company**”) would like to announce the audited consolidated financial results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023 (the “**Year**”) as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2023*

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Revenue</b>	4	–	–
Cost of sales		–	–
		<hr/>	<hr/>
<b>Gross profit</b>		–	–
Other income	5	<b>885</b>	448
Administrative expenses		<b>(22,354)</b>	(33,939)
Loss on disposal of subsidiaries		<b>(427)</b>	–
Net losses on disposal of associates		–	(143,566)
Impairment loss on trade and other receivables	9	–	(443,098)
		<hr/>	<hr/>
<b>Loss from operations</b>		<b>(21,896)</b>	(620,155)
Finance costs	7	<b>(74)</b>	(154)
		<hr/>	<hr/>
<b>Loss before tax</b>		<b>(21,970)</b>	(620,309)
Income tax expense	8	–	–
		<hr/>	<hr/>
<b>Loss for the year</b>	9	<b>(21,970)</b>	(620,309)
		<hr/>	<hr/>
<b>Other comprehensive losses:</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value changes of equity investments at fair value through other comprehensive income		–	(14,620)
		<hr/>	<hr/>
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations – Group		<b>670</b>	(27,630)
Release of translation reserve upon disposal of associates		–	18,038
		<hr/>	<hr/>
		<b>670</b>	(9,592)
		<hr/>	<hr/>

	<i>Notes</i>	<b>2023</b> <b><i>HK\$'000</i></b>	2022 <i>HK\$'000</i>
<b>Other comprehensive income/(loss) for the year</b>		<u>670</u>	<u>(24,212)</u>
<b>Total comprehensive loss for the year</b>		<u><b>(21,300)</b></u>	<u><b>(644,521)</b></u>
<b>Loss for the year attributable to:</b>			
Owners of the Company		(21,909)	(620,248)
Non-controlling interests		<u>(61)</u>	<u>(61)</u>
		<u><b>(21,970)</b></u>	<u><b>(620,309)</b></u>
<b>Total comprehensive loss for the year attributable to:</b>			
Owners of the Company		(21,190)	(644,304)
Non-controlling interests		<u>(110)</u>	<u>(217)</u>
		<u><b>(21,300)</b></u>	<u><b>(644,521)</b></u>
<b>Loss per share</b>	<i>11</i>		
Basic ( <i>cents per share</i> )		<u><b>(0.11)</b></u>	<u><b>(3.05)</b></u>
Diluted ( <i>cents per share</i> )		<u><b>(0.11)</b></u>	<u><b>(3.05)</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2023*

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>315</b>	423
Equity investments at fair value through other comprehensive income	<i>12</i>	–	–
Right-of-use assets		–	–
		<u><b>315</b></u>	<u>423</u>
<b>Current assets</b>			
Trade and other receivables	<i>13</i>	<b>2,638</b>	21,450
Bank and cash balances		<b>874</b>	7,541
		<u><b>3,512</b></u>	<u>28,991</u>
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	<b>102,718</b>	92,340
Loan from a shareholder	<i>15</i>	<b>101,084</b>	114,300
Lease liabilities		<b>843</b>	1,449
		<u><b>204,645</b></u>	<u>208,089</u>
<b>Net current liabilities</b>		<u><b>(201,133)</b></u>	<u>(179,098)</u>
<b>Non-current liabilities</b>			
Lease liabilities		–	843
<b>NET LIABILITIES</b>		<u><b>(200,818)</b></u>	<u>(179,518)</u>
<b>Capital and reserves</b>			
Share capital		<b>2,035,287</b>	2,035,287
Reserves		<b>(2,237,474)</b>	(2,216,284)
Equity attributable to owners of the Company		<b>(202,187)</b>	(180,997)
Non-controlling interests		<b>1,369</b>	1,479
<b>TOTAL EQUITY</b>		<u><b>(200,818)</b></u>	<u>(179,518)</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 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. The address of 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. GOING CONCERN BASIS

The Group incurred a loss of approximately HK\$21,970,000 and operating cash outflow of approximately HK\$4,920,000 for the year ended 31 December 2023 and as at 31 December 2023 the Group had net current liabilities of approximately HK\$201,133,000 and net liabilities of approximately HK\$200,818,000. 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 consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon i) the financial support from the major shareholder; ii) the completion of the subscription of new shares in the Company for the group; and iii) the completion of the subscription of convertible bonds to be issued by the Company under the general mandate, at a level sufficient to finance and satisfy the working capital requirements of the Group. The major shareholder has agreed to provide adequate funds and the respective subscribers had conditionally agreed to subscribe for new shares and convertible bonds in the Company for the Group to meet its liabilities as they fall due. The directors of the Company 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.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards; 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 year 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.

### 4. REVENUE

The Group’s revenue represents sales and service income of battery management systems and spare parts.

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Sales and service income of battery management systems and spare parts	<u>          –</u>	<u>          –</u>

Disaggregation of revenue from contracts with customers:

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
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#### Geographical markets

The People’s Republic of China (the “ <b>PRC</b> ”)	<u>          –</u>	<u>          –</u>
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#### Major products/service

Sales and service income of battery management system and spare parts	<u>          –</u>	<u>          –</u>
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#### Timing of revenue recognition

At a point in time	<u>          –</u>	<u>          –</u>
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## Sales and service income of battery management systems and spare parts

The Group sells battery management systems and spare parts to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sales to customers are normally made with credit terms of 30 to 90 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

## 5. OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest income	5	10
Government grants	–	264
Reversal of allowance for trade and the other receivables	875	–
Others	5	174
	<u>5</u>	<u>174</u>
	<u>885</u>	<u>448</u>

## 6. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies. The Group has three reportable segments: development of high-tech electric motor vehicles, development and sales of battery management systems and spare parts and development of advanced batteries materials.

Segment profits or losses do not include unallocated corporate income and expenses. Segment assets do not include unallocated corporate assets. Segment liabilities do not include unallocated corporate liabilities. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

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

	<b>High-tech electric motor vehicles</b> <i>HK\$'000</i>	<b>Battery management systems and spare parts</b> <i>HK\$'000</i>	<b>Advanced batteries materials</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Year ended 31 December 2023:</b>				
Revenue	-	-	-	-
Segment loss	<b>(4,001)</b>	<b>(271)</b>	<b>(154)</b>	<b>(4,426)</b>
Depreciation	-	-	-	-
Other material non-cash items:				
Additions to segment non-current assets	-	-	-	-
<b>At 31 December 2023:</b>				
Segment assets	<b>269</b>	<b>1,229</b>	<b>87</b>	<b>1,585</b>
Segment liabilities	<b>6,865</b>	<b>5,494</b>	<b>1</b>	<b>12,360</b>
<b>Year ended 31 December 2022:</b>				
Revenue	-	-	-	-
Segment loss	(417,551)	(3,134)	(174)	(420,859)
Depreciation	(91)	(203)	(17)	(311)
Other material non-cash items:				
Additions to segment non-current assets	-	-	-	-
<b>At 31 December 2022:</b>				
Segment assets	3,670	345	248	4,263
Segment liabilities	6,331	6,015	1	12,347

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Revenue:</b>		
Total revenue of reportable segments and consolidated revenue	<u><u>–</u></u>	<u><u>–</u></u>
<b>Profit or loss:</b>		
Total loss of reportable segments	(4,426)	(420,859)
Corporate and unallocated profit or loss	<u>(17,544)</u>	<u>(199,450)</u>
Consolidated loss for the year	<u><u>(21,970)</u></u>	<u><u>(620,309)</u></u>
<b>Assets:</b>		
Total assets of reportable segments	1,585	4,263
Corporate and unallocated assets:		
– Equity investments at fair value through other comprehensive income	–	–
– Bank and cash balances held by the Group's headquarters	113	1,520
– Others	<u>2,129</u>	<u>23,631</u>
Consolidated total assets	<u><u>3,827</u></u>	<u><u>29,414</u></u>
<b>Liabilities:</b>		
Total liabilities of reportable segments	12,360	12,347
Corporate and unallocated liabilities		
– Others	<u>192,285</u>	<u>196,585</u>
Consolidated total liabilities	<u><u>204,645</u></u>	<u><u>208,932</u></u>

Geographical information:

In presenting the geographical information, revenue is based on the location of the customers. All revenue generated from PRC.

Revenue from major customers:

No revenue from customers individually contributed more than 10% of the total consolidated revenue of the Group for the year (2022: nil).

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Non-current assets (other than financial assets):</b>		
Hong Kong and others	<u>315</u>	<u>423</u>

#### 7. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Lease interests	<u>74</u>	<u>154</u>

#### 8. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax		
– PRC Enterprise Income Tax		
Provision for the year	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>

No provision for Hong Kong Profits Tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong (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.

The reconciliation between the income tax expense and the product of loss before tax multiplied by Hong Kong Profits Tax rate is as follows:

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Loss before tax	<u>(21,970)</u>	<u>(620,309)</u>
Tax on loss before income tax, calculated at the rates applicable to profit/loss in the tax jurisdictions concerned	<b>(3,636)</b>	(124,109)
Tax effect of non-taxable income	<b>(1)</b>	(43)
Tax effect of non-deductible expenses	<u><b>3,637</b></u>	<u>124,152</u>
Income tax expense for the year	<u><u><b>-</b></u></u>	<u><u><b>-</b></u></u>

## 9. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Auditor's remuneration	<b>1,300</b>	1,300
Depreciation of property, plant and equipment	<b>108</b>	485
Loss on disposal of subsidiaries	<b>427</b>	-
Net losses on disposal of associates	-	143,566
Impairment of property, plant and equipment	-	510
(Reversal of impairment losses)/impairment loss of trade and other receivables ( <i>note</i> )	<b>(875)</b>	443,098
Net exchange loss/(gain)	<b>16</b>	(216)
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	<b>12,817</b>	18,027
– Retirement benefits scheme contributions	<b>340</b>	388
	<u><u><b>13,157</b></u></u>	<u><u><b>18,415</b></u></u>

*Note:*

During the year ended 31 December 2022, in respect of the dispute between the Group and Townsend Ventures LLC, XALT Energy LLC and XALT Energy MI, LLC (collectively “XALT”), the Company consulted its United States legal adviser and received a legal opinion, pursuant to which the legal adviser is of the view that, as the Company and XALT did not follow through the arbitration process against each other for over three years, each of the Company and XALT lost its rights to claim any damages or compensation from each other. Accordingly, an impairment of approximately HK\$332,641,000 has been made by the Company on the respective balance during the year ended 31 December 2022.

During the year ended 31 December 2022, the Company has also applied to the competent authority to enforce an arbitration award regarding the profit guarantee resulting from the profit guarantee arrangement in respect of Jilin Meilai Zhongxin Timber Company Limited\* 吉林美來中信木業有限公司 (“**Jilin Meilai**”, together with its subsidiaries, “**Meilai Group**”) as disclosed in the announcement of the Company dated 4 September 2020 which is secured by the equity interest in the investment of the debtor. Despite a ruling was made by the relevant arbitration commission in favour of the Company and the Company has attempted to enforce the arbitration award to recover assets from the guarantors in view of settling all or part of the compensation payable by the guarantors to the Company, the competent authority considered the guarantors do not have the capability of settling any of the compensation payable to the Company. Accordingly, the Company made an impairment in full of HK\$72,341,000 on the respective other receivables during the year ended 31 December 2022.

During the year ended 31 December 2022, certain of the trade and other receivables was long overdue, the Company internally assessed the recoverability of the trade and other receivables and made an impairment of approximately HK\$38,116,000 on the trade and other receivables.

## **10. DIVIDENDS**

The directors do not recommend or declare the payment of any dividend in respect of the years ended 31 December 2023 and 2022.

## **11. 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 year attributable to owners of the Company of approximately HK\$21,909,000 (2022: HK\$620,248,000) and the weighted average number of 20,352,873,000 (2022: 20,352,873,000) ordinary shares in issue during the year.

### **Diluted loss per share**

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2023 and 31 December 2022.

## 12. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Unlisted equity security		
吉林美來中信木業有限公司	—	—

The above investment is intended to be held for the medium to long-term. Designation of this investment as equity investment at fair value through other comprehensive income can avoid the volatility of the fair value changes of this investment to the profit or loss.

During the year ended 31 December 2016, the Group entered into an agreement with an independent third party to acquire the equity interest in Jilin Meilai at a consideration of RMB60,000,000. Jilin Meilai is incorporated in the PRC and is an unlisted limited liability company established in the PRC under the PRC Law, which does not have quoted market price in an active market. The Group intends to hold the investment for long-term capital appreciation and has no intention to dispose of the investment in the near future. As at 31 December 2023, the Group holds 5% (2022: 5%) equity interest in Jilin Meilai.

## 13. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	—	892
Less: impairment losses	—	(892)
	—	—
Prepayment to a supplier	332,641	332,641
Prepayments to others	4,817	4,895
Deposits and other receivables	111,628	130,460
	449,086	467,996
Less: impairment loss	(446,448)	(446,546)
	2,638	21,450
	<b>2,638</b>	<b>21,450</b>

## 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 management.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 60 days	<u>–</u>	<u>–</u>

## Impairment of trade receivables

Reconciliation of loss allowance for trade receivables:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At beginning of the year	(892)	–
Decrease/(increase) in loss allowance for the year	875	(921)
Currency realignment	<u>17</u>	<u>29</u>
	<u>–</u>	<u>(892)</u>

## Impairment of other receivables

Reconciliation of loss allowance for other receivables:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At beginning of the year	(446,546)	–
Impairment on other receivables	–	(442,177)
Currency realignment	<u>98</u>	<u>(4,369)</u>
	<u>(446,448)</u>	<u>(446,546)</u>

As at 31 December 2022, included in other receivables mainly represents an approximately of HK\$19,178,000 are receivables from disposal of investments in associates.

The management of the Company monitored the collectability of these receivables closely with reference to their respective current creditworthiness and repayment records. As at 31 December 2023, all these receivables were neither past due nor impaired. The management believes that no impairment allowance is necessary in respect of these receivables as they are considered fully recoverable.

#### 14. TRADE AND OTHER PAYABLES

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade payables	5,412	5,567
Amount due to a director	780	1,165
Accruals and other payables	<u>96,527</u>	<u>85,608</u>
	<u><b>102,719</b></u>	<u>92,340</u>

#### Trade payables

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

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Over 360 days	<u>5,412</u>	<u>5,567</u>

Amount due to a director is unsecured, interest-free and repayable on demand.

#### 15. LOAN FROM A SHAREHOLDER

The amount is unsecured, interest free and repayable on demand.

## **EXTRACT OF INDEPENDENT AUDITOR'S REPORT**

The following is an extract of the independent auditor's report from ZHONGHUI ANDA CPA Limited, the external auditor of the Company, on the Group's consolidated financial statements for the year ended 31 December 2023.

### **Basis for Disclaimer of Opinion**

#### ***Material Uncertainty Related to Going Concern***

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately HK\$21,970,000 and operating cash outflow of approximately HK\$4,920,000 for the year ended 31 December 2023 and as at 31 December 2023 the Group had net current liabilities of approximately HK\$201,133,000 and net liabilities of approximately HK\$200,818,000. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon (i) the financial support from the major shareholder, (ii) the completion of the subscription of new shares in the Company for the Group; and (iii) the completion of the subscription of convertible bonds to be issued by the Company under the general mandate for the Group to meet its liabilities as they fall due. The consolidated financial statements do not include any adjustments that would result from the failure to obtain the financial support. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements.

However, we were unable to obtain sufficient and appropriate audit evidence to satisfy ourselves as to (i) the validity of the financial support from the major shareholder and (ii) completion of the subscription of new shares in the Company; and (iii) the completion of the subscription of convertible bonds to be issued by the Company under the general mandate as described above. There are no other satisfactory audit procedures that we could adopt to determine whether the major shareholder and the subscriber have the financial ability to honour the financial support to the Group. We disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

### ***Share of loss of associates and investment in associates***

We have not been able to obtain sufficient and appropriate audit evidence due to limited financial and corporate information provided by the management to verify whether the Group's share of loss of associates of approximately HK\$nil for the years ended 31 December 2022 is fairly stated. We were also not able to satisfy ourselves as to (i) whether the net losses on disposal of associates of approximately HK\$143,566,000 for the year ended 31 December 2022 are fairly stated; and (ii) the accuracy of the disclosures in relation to the investment in associates for the year ended 31 December 2022.

### ***Equity investments at fair value through other comprehensive income***

We have not been able to obtain sufficient and appropriate audit evidence in relation to the fair value loss on an equity investment at fair value through other comprehensive income of approximately HK\$14,620,000 for the year ended 31 December 2022 to verify whether they are fairly stated due to the ongoing litigation and the Company could not obtain the financial information to measure the fair value of such equity investment. However, we are satisfied that the balance of HK\$nil of the equity investment at fair value through other comprehensive income as at 31 December 2023 and 2022 is fairly stated.

In addition, as stated in note 19 to the consolidated financial statements, the Group had an other receivables amount of approximately HK\$77,812,000 resulting from the profits guarantee arrangement which is secured by the equity interest in the investment of the debtor. Since we have not been able to obtain sufficient and appropriate audit evidence of the fair value of such equity investment and the financial ability of the debtor, we were unable to satisfy ourselves as to whether the impairment losses on such other receivables of approximately HK\$72,341,000 for the year ended 31 December 2022 are fairly stated. However, we are satisfied that the balance of HK\$nil of such other receivables as at 31 December 2023 and 2022 is fairly stated.

### ***Other receivables***

We have not been able to obtain sufficient and appropriate audit evidence to satisfy ourselves as to whether the impairment loss on other receivables of approximately HK\$37,195,000 for the year ended 31 December 2022 is fairly stated. However, we are satisfied that the balance of HK\$nil of such other receivables as at 31 December 2023 and 2022 is fairly stated.

### ***Prepayment to a supplier***

We were unable to obtain direct audit confirmation in relation to the prepayment to a supplier and unable to obtain sufficient and appropriate audit evidence to ascertain whether such prepayment will be recovered, given the recoverability of the prepayment is subject to the outcome of any negotiations or litigations which are yet to materialize, we were therefore not able to satisfy ourselves as to whether the impairment loss on prepayment to a supplier of approximately HK\$332,641,000 for the year ended 31 December 2022 is fairly stated, however we are satisfied that the balance of HK\$nil of prepayment to a supplier as at 31 December 2023 and 2022 is fairly stated.

### ***Disposal of subsidiaries***

We have not been able to obtain sufficient and appropriate audit evidence to verify whether the Group's loss on disposal of subsidiaries of approximately HK\$nil for the year ended 31 December 2022 are fairly stated due to limited financial information of disposed subsidiaries provided by the management. We were also not able to satisfy ourselves as to the accuracy of the disclosures in relation to the disposal of subsidiaries for the year ended 31 December 2022.

Any adjustments to the figures as described above might have a significant consequential effect on the Group's financial performance for the years ended 31 December 2023 and 2022 and the financial positions of the Group as at 31 December 2023 and 2022, and the related disclosures thereof in the consolidated financial statements.

## REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the “**Audit Committee**”) had reviewed and discussed with the management of the Company regarding the audited consolidated financial statements of the Group for the Year.

### **Views of the Audit Committee and the Board on the disclaimer of opinion of the Auditor**

The Audit Committee and the Board consider that the Company have provided all available audit evidence to the Auditor and, except for the uncertainty or possible effect of the matters leading to the Auditor’s Disclaimer of Opinion, the consolidated financial statements of the Group for the Year give a true and fair view of the performance and financial position of the Group as at 31 December 2023.

The Audit Committee and the Board, after discussion with the Auditor on its basis of the Disclaimer of Opinion, have the following views:

#### ***1. Material uncertainty related to going concern***

##### *Background*

The Group incurred a loss of HK\$21,970,000 million and operating cash outflow of HK\$4,920,000 for the Year. 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.

The consolidated financial statements of the Group for the Year were prepared on a going concern basis, the validity of which depends upon, among other matters, (i) the continuing financial support of the major shareholder of the Company, Dr. Yeung Yung, (the “**Major Shareholder**”) and (ii) the ability of the Company to successfully raise funds for the Group at a level sufficient to finance the working capital requirements of the Group.

### *Continuing financial support from the Major Shareholder*

The Audit Committee and the Board have confidence in the Major Shareholder's continued commitment and support towards the Group as had been demonstrated in the past, and believe that the Major Shareholder is ready, willing and able to offer such other assistance (financial or otherwise) to the Group to enhance its financial flexibility and capability as and when the circumstances arise.

In order to assess the financial ability of the Major Shareholder and the validity of the financial support from the Major Shareholder, the evidence and supporting documents requested by the Auditor have been provided by the Major Shareholder and the Company, which included, but not limited to, proof of funds of the Major Shareholder for demonstrating that the Major Shareholder has the financial ability to provide support to the Company.

### *Other fundraising opportunities*

Despite the cautious investment sentiment as a result of uncertainties surrounding the global economy and the prevailing high interest rate during the Year, 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.

On 29 May 2023, the Company and Mr. Zhou Zuan (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 convertible bond in the principal amount of HK\$100,000,000 (the “**Convertible Bond**”). The Convertible Bond carries an interest rate of 5 percent per annum and is repayable in two years, 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**”). For further details, please refer to the section of “FUND RAISING ACTIVITIES DURING THE YEAR” of this announcement.

*The Board's and Audit Committee's views on the material uncertainty related to going concern*

Taking into account of the above, the Audit Committee agreed with the management's view that the Group will have sufficient working capital for the operation and development of its business for at least twelve months from the end of the reporting period of the Year. As such, the Audit Committee agreed with the management's view that the consolidated financial statements of the Group for the Year were prepared on a going concern basis.

With the continued support from the Major Shareholder, together with the unwavering efforts and commitment of the Company's management in seeking potential collaborations and investment opportunities for the Group with a view to improving the liquidity, operation and performance of the Group in the long run, the Audit Committee and the Board believes that, the Company will manage to have sufficient working capital for the operation and development of the Group's business, or in the event of resumption of trading of the shares of the Company, the Company will have sufficient capital to proceed with the Acquisition (as defined below) to accelerate the development of its electric vehicle business, so that the disclaimer of opinion in relation to the material uncertainty will not be carried forward to the Group's financial statements for the year ending 31 December 2024.

The Audit Committee considered that the material uncertainties related to going concern will not be carried forward to the Group's financial statements for the year ending 31 December 2024 based on (a) the Major Shareholder, who has been demonstrating his continued commitment and support towards the Group, entering into the shareholder's loan agreement with the Company; (b) the Subscription; and (c) the Company's continued exploration of fund raising opportunities and collaborations with potential business partners and investors, including but not limited to the potential subscription of shares by the Potential Subscribers.

## **2. Share of loss of associates and investment in associates**

### *Background of disclaimer of opinion*

Prior to 2022, the Company's investment in associates mainly represented the Company's (i) 16.7% equity interest in Shenzhen SUSTC Fuel Cell Company Limited ("**Shenzhen SUSTC**"); and (ii) 18% equity interest in Ningbo Jingwei Power Battery Co., Ltd. ("**Ningbo Joint Venture**").

### *Ningbo Joint Venture*

Ningbo Joint Venture is principally engaged in the research, development, production and sale of power batteries, batteries materials and control systems of motor, and the development of technology in manufacturing key parts of new energy vehicles.

As disclosed in the announcement of the Company dated 19 October 2022, on 27 September 2022, the Group entered into an equity transfer agreement in relation to the disposal of the 18% equity interest in Ningbo Joint Venture held by the Group to an independent third party to the Company (the "**Ningbo JV Disposal**").

### *Shenzhen SUSTC*

Shenzhen SUSTC is principally engaged in the research, development, production and sale of power batteries, batteries materials and control systems of motor, and the development of technology in manufacturing key parts of new energy vehicles.

As disclosed in the announcement of the Company dated 13 December 2022, the Group entered into an equity transfer agreement in relation to the disposal of the entire equity interest in Shenzhen SUSTC held by the Group to an independent third party to the Company. (the "**SUSTC Disposal**").

The Company recognised net loss on disposal of associates of approximately HK\$143.6 million for the year ended 31 December 2022 in relation to the Ningbo JV Disposal and SUSTC Disposal.

*Reasons leading to the disclaimer of opinion in relation to the Share of loss of associates and investment in associates*

Due to the insufficient audit evidence to ascertain the fair value of the investment in associates as at 31 December 2021 due to limited operations of Ningbo Joint Venture and limited financial and corporate information provided by the management of Ningbo Joint Venture, the Auditor is unable to ascertain the respective amount of loss on disposal to be recognised in the income statement of the Company for the year ended 31 December 2022.

*The Board's and Audit Committee's views on the Share of loss of associates and investment in associates*

Based on the above and after discussion with the Auditor, given (i) the disposal of the equity interest in Ningbo Joint Venture and Shenzhen SUSTC; and (ii) the loss on disposal was recognised during the year ended 31 December 2022 and the disclaimer of opinion is only related to the comparative figure for the year ended 31 December 2022, the Board and the Audit Committee are of the view that the disclaimer of opinion in relation to share of loss of associates and investment in associates has been resolved and will not be carried forward to the year ending 31 December 2024.

**3. *Equity investments at fair value through other comprehensive income***

*Background of the Meilai Investment*

The equity investments at fair value through other comprehensive income of the Group represented the investment of the Group in the Meilai Group.

Reference is made to the announcement of the Company dated 4 September 2020 (the “**Meilai Announcement**”) in relation to the subscription of 5% of the equity interest in the Meilai Group by the Group (the “**Meilai Investment**”). On 27 May 2016, the Group and another independent third party investor entered into a subscription agreement (the “**Meilai Subscription Agreement**”) with the then shareholders of the Meilai Group, pursuant to which the Group agreed to make the Meilai Investment at a consideration of RMB60 million (the “**Meilai Subscription**”).

The Meilai Group is principally engaged in timber and wood processing industries in the PRC.

### *Profit Guarantee and Compensation Payable*

Pursuant to the Meilai Subscription Agreement, certain then shareholders of the Meilai Group (the “**Guarantors**”) covenanted and guaranteed to the Group that the accumulated audited consolidated net profit after tax attributable to the shareholders of Jilin Meilai should not be less than RMB160 million, RMB 450 million and RMB920 million respectively for each of the three years ended 31 December 2018 (the “**Profit Guarantee**”). In the event the Profit Guarantee is not fulfilled, the Guarantors shall compensate the Group on a dollar-for-dollar basis (the “**Compensation Payable**”) based on the formula as disclosed in the Meilai Announcement. Based on the local audit reports, the actual accumulated audited consolidated net loss after taxation of the Meilai Group attributable to its shareholders for the three years ended 31 December 2018 was approximately RMB54.4 million.

The Compensation Payable was recognised as derivative financial instrument for the year ended 31 December 2018 and reclassified to other receivables for the year ended 31 December 2019 under the consolidated financial statements of the Company. As at 31 December 2021, the carrying amount of the Compensation Payable was approximately HK\$77.8 million.

### *Arbitration*

On 29 September 2020, the Group applied to China International Economic and Trade Arbitration Commission (the “**Arbitration Commission**”) to initiate an arbitration proceeding against the Guarantors in relation to the Compensation Payable and the return of investment cost in Meilai Group with interests (the “**Arbitration**”). On 2 July 2021, the Arbitration Commission handed down the award in relation to the Arbitration (the “**Arbitration Award**”), pursuant to which the Guarantors shall, within 30 days of the Arbitration Award, pay the Group RMB60.0 million together with interest at a rate of 12% per annum amounting to no less than approximately RMB33.0 million for buying back the Group’s 5% equity interest in the Meilai Group.

As the Guarantors had yet to fulfill the Arbitration Award handed down by the Arbitration Commission, the Group had in September 2022 applied to the competent authority for an execution order against the Guarantors to enforce the Arbitration Award. In late 2022, while the competent authority issued a draft execution order, pursuant to which the Company has attempted to enforce such order to recover assets from the Guarantors, the competent authority further considered that the Guarantors do not have the capability of settling any of the compensation payable to the Company.

Based on publicly available information, (i) the Group noted that the Guarantors are designated by the competent authority as defaulted executees who are now restricted in spending and involved in a number of litigations; and (ii) the court and the relevant authority has attempted to execute orders to recover assets from the Guarantors in view of settling all or part of the Arbitration Award, but considered the Guarantors do not have the capability and is unlikely to have sufficient asset to settle any of the Arbitration Award. As such, the Company considered it is unlikely the Meilai Investment and Compensation Payable will be recoverable and accordingly the Company provided impairment in full on the carrying amounts during the year ended 31 December 2022.

*Reason leading to the disclaimer of opinion in relation to the Compensation Payable and the Meilai Investment*

Due to the dispute and the outcome of the Arbitration, the Meilai Group had not been cooperative and the Group could not obtain the latest consolidated management accounts of the Meilai Group for the years ended 31 December 2020 and 2021. The Group could only rely on the consolidated management accounts of the Meilai Group for the year ended 31 December 2019 with management adjustments and could not provide sufficient information to the independent valuer for the valuation of the Meilai Group and the Compensation Payable.

Given (i) the difficulty in obtaining the audited financial statement of the Meilai Group for the year ended 31 December 2021; and (ii) the Guarantors were yet to fulfill the Arbitration Award, the Auditor could not obtain sufficient audit evidence to verify the management accounts of the Meilai Group and was therefore unable to satisfy itself on the fair value of the Meilai Investment and the recoverability of the Compensation Payable as at 31 December 2021. Accordingly, the Auditor was also unable to satisfy itself on the amount of impairment loss to be recognised on the Meilai Investment and Compensation Payable in the income statement of the Group for the year ended 31 December 2022. However, the Auditor was satisfied that the balance of HK\$nil of such Compensation Payable as at 31 December 2022 and 2023 is fairly stated.

*The Board's and Audit Committee's views on the recoverability of the Compensation Payable and the Meilai Investment*

In assessing the recoverability of the Compensation Payable as at 31 December 2021, the Board and the Audit Committee are of the view that the Compensation Payable and the Meilai Investment could be recovered in the event the Arbitration Award is fulfilled by the Guarantors voluntarily or through enforcement or other orders applied or to be applied by the Group.

The Board and Audit Committee understood that the Auditor had indicated that the grant of the Arbitration Award might only serve as a reference but could not be taken as substantial audit evidence as to the recoverability of the Compensation Payable as at 31 December 2021 because the Guarantors have yet to fulfill the Arbitration Award.

As further publicly available information has come to light where (i) the Guarantors are designated as defaulted executees by the relevant authority who are now restricted in spending and involved in a number of litigations; and (ii) the court and the relevant authority has attempted to execute orders to recover assets from the Guarantors in view of settling all or part of the Arbitration Award, but considered the Guarantors do not have the capability of settling any of the Arbitration Award, after discussion with the Auditor, the Board and the Audit Committee consider it is unlikely the Guarantors have sufficient assets for settlement of the Arbitration Award. As such, the Company provided impairment in full on the Meilai Investment and Compensation Payable during the year ended 31 December 2022.

As the Auditor was satisfied that the balance of HK\$nil of such Compensation Payable as at 31 December 2022 and 2023 is fairly stated and the disclaimer of opinion is only related to the comparative figure for the financial statements for the year ended 31 December 2022, the disclaimer of opinion in relation to the equity investments at fair value through other comprehensive income has been resolved and will not be carried forward to the Group's financial statements for the year ending 31 December 2024.

**4. Other receivables**

The other receivables mainly represented other receivables due from third parties which were overdue for more than a year (the "**Overdue Receivables**").

*Reason leading to the disclaimer of opinion in relation to the Overdue Receivables*

As the Overdue Receivables remained long overdue and it is unlikely the Group can recover such balances, the Group provided impairment in full on the Overdue Receivables. However, the Auditor could not satisfy themselves as to whether the impairment loss on the Overdue Balance for the year ended 31 December 2022 is fairly stated, but was satisfied that the balance of trade and other receivables as at 31 December 2022 and 2023 is fairly stated.

*The Board's and the Audit Committee's views on the Auditor's disclaimer of opinion in relation to the Overdue Receivables*

As the Auditor was satisfied that the balance of trade and other receivables as at 31 December 2022 and 2023 is fairly stated and the disclaimer of opinion are only related to the comparative figure for the financial statement for the year ended 31 December 2022, the disclaimer of opinion in relation to the Overdue Receivables has been resolved and will not be carried forward to the Group's financial statements for the year ending 31 December 2024.

**5. *Prepayment to a supplier***

*Background*

The prepayment to a supplier (the "**Prepayment**") represents the prepayment made to XALT pursuant to certain supply agreement (the "**Supply Agreement**") and was the core of a lawsuit commenced by Townsend Ventures LLC, XALT Energy LLC and XALT Energy MI, LLC (collectively, "**XALT**") towards the Company and one of its wholly-owned subsidiaries.

During the course of exploring commencement of arbitration proceedings against XALT, the Company had engaged legal counsel and sought legal opinion in respect of the laws of the United States on the feasibility of any arbitration proceedings (the "**US Legal Opinion**").

According to the US Legal Opinion, under the laws of the State of Maryland, the limitation period of breach of contract claims is three years. Accordingly, any request of arbitration for any claims arising out of the Supply Agreement must be filed by 30 August 2020, being three years after the court's order on the Company's request to conduct arbitration.

The Board is of the view that, having considered the reasonable efforts made to search for the additional information to commence arbitration proceedings and possible mediation all these years and the Group's financial condition and resources currently available to the Company, the Board has decided not to further pursue arbitration proceedings in this regard at this stage.

*Reasons leading to the disclaimer of opinion in relation to the Prepayment*

The Company had provided all available evidence to the Auditor of the Group's making of the Prepayment to, and its receipt by, the recipient suppliers (whom and whose related parties are involved in the lawsuit with XALT). Given the recoverability of the prepayment is subject to the outcome of any negotiations or litigations which are yet to materialize, the Auditor was therefore not able to satisfy themselves as to whether the impairment loss on prepayment to a supplier of approximately HK\$332,641,000 for the year ended 31 December 2022 is fairly stated, however the Auditor was satisfied that the balance of HK\$nil of prepayment to a supplier as at 31 December 2023 and 2022 is fairly stated.

*The Board's and the Audit Committee's views on the Auditor's disclaimer of opinion in relation to the Prepayment*

The Board and the Audit Committee considered that it is understandable, from the Auditor's audit perspective, that the information available at this stage may not be sufficient for the Auditor to evaluate whether the impairment losses on the Prepayment for the year ended 31 December 2022 was fairly stated.

Pursuant to the US Legal Opinion, as the Group and XALT did not follow through the arbitration process against each other over three years, each of the Group and XALT lost its rights to claim any damages or compensations from each other. Accordingly, the Board and the Audit Committee consider it is appropriate to provide impairment in full on the Prepayment during the year ended 31 December 2022.

As the Auditor was satisfied that the balance of HK\$nil of such Prepayment as at 31 December 2022 and 2023 is fairly stated and the disclaimer of opinion are only related to the comparative figure for the financial statement for the year ended 31 December 2022, after discussion with the Auditor, the Board and the Audit Committee the disclaimer of opinion in relation to the Prepayment has been resolved and will not be carried forward to the Group's financial statements for the year ending 31 December 2024.

## 6. *Disposal of subsidiaries*

### *Background*

The Company entered into a number of sale and purchase agreements with third parties to dispose of its investments in several subsidiaries of the Company in the United States (the “**US Subsidiaries**”) (the “**US Disposal**”) for the year ended 31 December 2021. The Group recorded a loss on disposal of the US Subsidiaries of approximately HK\$3.9 million for the year ended 31 December 2021.

Due to the hindrance of the COVID-19 pandemic and the subsequent omicron variant wave in the United States during the year ended 31 December 2021, the registration and filing process of the US Disposal with the relevant authority had been inevitably delayed and is yet to be completed. Nevertheless, as such registration and filing process is only procedural, the Company recorded the US Disposal for the years ended 31 December 2021, and the financial results of the US Subsidiaries were no longer consolidated into the consolidated financial statements of the Company.

### *Reason leading to the disclaimer of opinion in relation to the US Disposal*

The Audit Committee and the Board understood that the Auditor’s disclaimer of opinion was based on insufficient audit evidence to ascertain the completion of the US Disposal for the as the legal formalities of the Disposal are yet to be completed as at 31 December 2021. As such, the Auditor was unable to satisfy itself in relation to the accuracy of the disclosure in relation to the US Disposal for the year ended 31 December 2022.

### *The Board’s and the Audit Committee’s views on the Auditor’s disclaimer of opinion in relation to the Disposal*

As the registration of the US Disposal has been completed during the year ended 31 December 2022, after discussion with the Auditor, the Board and the Audit Committee consider that the disclaimer of opinion in relation to the US Disposal has been resolved and will not be carried forward to the Group’s financial statements for the year ending 31 December 2024.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **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 development of electric vehicles for over a decade. The Group has established a team of experts with extensive experience and expertise in a wide variety of applications in the automobile 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 an evolutionary fast track towards electric mobility. To capture the mass market of the high-tech electric motor vehicles successfully, 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 2023, the uncertain macroeconomic 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, the business development of the Group had been significantly disrupted during the Year. The Group did not record any revenue and gross profit for the Year.

The Group implemented effective and strict cost control policies, the operating expenses for the Year decreased to approximately HK\$22.4 million (2022: HK\$33.9 million), which consisted of employee benefit expenses (including wages and salaries, pension costs and other benefits) of approximately HK\$13.2 million (2022: HK\$18.4 million).

As a result of the above factors, the loss for the Year of the Group decreased to approximately HK\$22.0 million (2022: HK\$620.3 million) and the loss attributable to shareholders for the Year amounted to approximately HK\$21.2 million (2022: HK\$644.3 million).

Nevertheless, the Company believes that 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 not limited to the research and development 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 gradually improves in the future and will strive to achieve the next success milestone in the automotive industry.

## **FINANCIAL REVIEW**

The Group's revenue and gross profit for the Year amounted to approximately HK\$Nil (2022: HK\$Nil) and HK\$Nil (2022: HK\$Nil). The loss attributable to shareholders for the Year amounted to approximately HK\$21.9 million (2022: HK\$620.3 million). The loss for the Year was mainly attributable to the administrative expenses of approximately HK\$22.4 million (2022: HK\$33.9 million).

The administrative expenses for the Year decreased to approximately HK\$22.4 million (2022: HK\$33.9 million) which was mainly attributed to net of (i) the decrease in depreciation expenses for the Year and (ii) the decrease in employee benefit expenses (including wages and salaries, pension costs and other benefits) from approximately HK\$18.4 million for the year ended 31 December 2022 to HK\$13.2 million for the Year.

The uncertain macroeconomic environment and the generally cautious and conservative market sentiment has significantly hindered the business development of the Group. In addition, the Group has experienced unprecedented difficulties in raising capital for its business development. As such, business development had remained stagnant during the Year and there was no significant increase in the revenue and gross profit, or the financial performance, of the Group for the Year.

## **PROSPECT AND BUSINESS DEVELOPMENT OF THE GROUP**

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

### **Development of electric vehicles**

The Group is engaged in 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 component 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 feedbacks 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 of the impact of COVID-19 in the PRC and in the event the financing opportunities materialise, the Group may commence its development plan for industrialisation, including but not limited to (i) renovation of the existing facilities for assembly 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.

## **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 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, 8 March 2023, 31 August 2023, 30 November 2023 and 1 February 2024.

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 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, 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 in May 2023 as further set out in the section headed “Fund Raising Activities During the Year” below in this announcement.

In the event the above financing opportunities arise, the Company is confident that it will be able to 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 Year 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 Acquisition is yet to be completed.

On 1 February 2024, the Company entered into a supplemental agreement (the “**Supplemental Agreement**”) to amend certain terms of the Sale and Purchase Agreement. The Consideration for the Sale Shares shall be revised as HK\$228.0 million (the “**Revised Consideration**”), which is determined after arm’s length negotiations between the Company as purchaser and Best Knob International Limited and Chang Da International Limited, each as a vendor, and the Revised Consideration shall be settled by the way of issuance of Promissory Notes, where the principal amount of which shall be revised as to (i) HK\$162,450,000 by the Company to the Vendor A; and (ii) HK\$65,550,000 to Vendor B.

Details of the Acquisition are disclosed in the announcements of the Company dated 17 October 2022, 8 March 2023, 31 August 2023, 30 November 2023 and 1 February 2024.

## **FUND RAISING ACTIVITIES DURING THE YEAR**

On 29 May 2023, the Company and the Subscriber, a third party independent of the Company and its connected persons, entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Bond which may be converted into a total of 1,000,000,000 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, subject to the adjustment pursuant to the terms and conditions of the Convertible Bond. 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, 3 July 2023, 31 August 2023 and 31 December 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.

## **CONTINGENT LIABILITIES**

As at 31 December 2023, the Group did not have any material contingent liabilities.

## **SIGNIFICANT INVESTMENTS**

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

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 2024.

## **IMPORTANT EVENTS AFTER REPORTING PERIOD**

Save for the (a) (i) resignation of Mr Leung Kai Yin, the company secretary of the Company; (ii) the resignation of Mr Lee Cheung Yuet, Horace, an independent non-executive director of the Company; and (iii) the appointment of Mr Lee Cheung Yuet, Horace and Ms Lam Wing Tung, as joint company secretaries, as announced by the Company on 2 February 2024; (b) resignation of Mr Feng Rui, an executive director of the Company as announced by the Company on 5 March 2024; (c) (i) resignation of Mr Chan Sin Hang and Mr Cheng Tat Wa, each an independent non-executive director of the Company and (ii) appointment of Mr On Ka Shing, an independent non-executive director of the Company, as announced by the Company on 21 March 2024; and (d) the entering into of the Supplemental Agreement as disclosed above, there are no other important events affecting the Group which have occurred since the end of the Year up to the date of this announcement.

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

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

## **LIQUIDITY AND FINANCIAL RESOURCES, CAPITAL STRUCTURE AND TREASURY POLICY**

As at 31 December 2023, the total deficiency in equity of the Group amounted to approximately HK\$200.8 million (31 December 2022: HK\$179.5 million).

The gearing ratio of the Group as at 31 December 2023 measured in terms of total liabilities divided by shareholders' equity was approximately 101.9% (31 December 2022: 116.4%).

As at 31 December 2023, the net current liabilities of the Group were approximately HK\$201.1 million (31 December 2022: HK\$179.1 million). The cash and cash equivalents amounted to HK\$0.8 million (31 December 2022: HK\$7.5 million). The Group has an outstanding shareholder's loan of HK\$101.1 million (31 December 2022: HK\$114.3 million), which is unsecured, interest-free and repayable on demand.

As at 31 December 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 31 December 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 Year, 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 55 employees as at 31 December 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 Year, staff costs (including Director's remuneration) was approximately HK\$13.2 million (31 December 2022: approximately HK\$18.4 million).

## OTHER INFORMATION

### Update on the legal proceedings against members of the Group

#### *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 Company had continued to seek legal advice to prepare for the initiation of the arbitration proceedings while exploring possible mediation with XALT during the Year.

Having considered (i) the reasonable efforts made by the Group to search for the additional information to commence arbitration proceedings and possible mediation all these years; (ii) the US Legal Opinion in respect of the laws of the United States as disclosed herein; and (iii) the Group’s financial condition and resources currently available to the Company, the Board has decided not to further pursue legal proceedings in this regard at this stage.

While it is not entirely within the control of the Company as to whether or when the legal dispute or civil lawsuit against the Group will be resolved or concluded, the Group will continue to make efforts to, among other things, (i) seek professional advice to explore possibilities of recovering any of the Prepayment; and (ii) 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 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.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining high standards of corporate governance to ensure better transparency and protection of the interests of the Company and its shareholders as a whole and to enhance corporate value and accountability. The Company wishes to highlight that the Board will continue to devote efforts in ensuring effective leadership and control of the Company and the transparency and accountability of all operations. Throughout the Year, the Company has applied the principles and complied with the code provisions set out in Part 2 of the Corporate Governance Code as set out in Appendix C1 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 C3 to the Listing Rules (the “**Model Code**”) as its own code of conduct governing securities transactions by the Directors. All Directors, after specific enquiries by the Company, had confirmed to the Company their compliance with the required standards set out in the Model Code during the Year.

## **SCOPE OF WORK OF THE AUDITOR ON THIS PRELIMINARY ANNOUNCEMENT**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group’s auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this preliminary announcement.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 3 June 2024 to Thursday, 6 June 2024 (both days inclusive) for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting (the “AGM”) of the Company to be held on Thursday, 6 June 2024. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 4:30 p.m. on Friday, 31 May 2024.

## **PUBLICATION OF 2023 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL 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 annual report for the Year containing the information required by Appendix 16 to the Listing Rules will be made available to the Company’s shareholders in due course.

***Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.***

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

Hong Kong, 28 March 2024

*As at the date of this announcement, the Board comprises four executive Directors, namely Dr Yeung Yung (Chairman), Mr Liu Stephen Quan, Mr Li Zhengshan and Mr Chen Xiao, one non-executive Director, namely Dr Xia Tingkang, Tim and three independent non-executive Directors, namely Dr Zhu Guobin, Dr Li Jianyong and Mr On Ka Shing.*