



HYBRID KINETIC GROUP LIMITED

正道集團有限公司

(Stock Code: 01188)

Interim Report
2012

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Yeung Yung (*Chairman*)
Dr. Huang Chunhua (*Deputy Chairman*)
Dr. Wang Chuantao (*Chief Executive Officer*)
Mr. Liu Stephen Quan
Mr. Hui Wing Sang, Wilson
Dr. Zhu Shengliang
Dr. Zhang Zhenwei
Mr. Xu Jianguo
Mr. Li Zhengshan

Non-executive Directors

Dr. Xia Tingkang, Tim
Dr. Zhu Guobin

Independent Non-Executive Directors

Mr. Wong Lee Hing
Dr. Song Jian
Mr. Cheng Tat Wa (*appointed on 17 August 2012*)
Mr. He Bangjie
(*retired with effect from 23 May 2012*)
Ms. Chan Fung Yi
(*retired with effect from 23 May 2012*)

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

East West Bank
(U.S. branch)
9550 Flair Drive
E1Monte CA91731

HSBC

PRINCIPAL OFFICE

Suites 1407-8, 14/F.
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23 Harbour Road, Wanchai
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HONG KONG LEGAL ADVISOR

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited
6 Front Street, Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2012*

	Notes	Six months ended 30 June	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Continuing operations			
Revenue	3	17,154	24,103
Cost of sales		(11,736)	(17,629)
Gross profit			
Other income		5,418	6,474
Distribution costs and general operating expenses		1,718	939
Impairment of goodwill		(80,734)	(95,167)
Change in fair value of other financial asset	11	(4,867)	–
Finance costs		10,000	–
		(1,172)	(245)
Loss before income tax			
Income tax credit	5 6	(69,637)	(87,999)
		1,210	136
Loss for the period from continuing operations			
		(68,427)	(87,863)
Discontinued operations			
Profit for the period from discontinued operations	7.2	9,282	997
Loss for the period			
		(59,145)	(86,866)
Other comprehensive income			
Exchange differences on translation of financial statements of subsidiaries		100	5,342
Transfer of translation reserve to profit or loss on disposal of subsidiaries		(5,415)	–
Other comprehensive income for the period			
		(5,315)	5,342
Total comprehensive income for the period			
		(64,460)	(81,524)
Loss for the period attributable to:			
Owners of the Company		(55,937)	(85,425)
Non-controlling interests		(3,208)	(1,441)
		(59,145)	(86,866)

	Notes	Six months ended 30 June	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Total comprehensive income for the period attributable to:			
Owners of the Company		(61,252)	(81,000)
Non-controlling interests		(3,208)	(524)
		(64,460)	(81,524)
(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company during the period	8		
From continuing and discontinued operations			
Loss per share – basic		HK(0.67) cent	HK(1.17) cents
Loss per share – diluted		N/A	N/A
From continuing operations			
Loss per share – basic		HK(0.79) cent	HK(1.18) cents
Loss per share – diluted		N/A	N/A
From discontinued operations			
Earnings per share – basic		HK0.12 cent	HK0.01 cent
Earnings per share – diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	As at 30 June 2012 HK\$'000 (Unaudited)	As at 31 December 2011 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	55,687	68,169
Prepaid land lease payments		–	1,391
Available-for-sale financial asset		–	–
Goodwill		29,245	34,112
Intangible assets		34,463	51,450
Prepayments and deposits		30,665	19,097
Other financial asset	11	26,000	16,000
		176,060	190,219
Current assets			
Inventories	12	38,392	33,934
Trade receivables	13	7,743	31,985
Bills receivable		950	–
Prepayments, deposits and other receivables	14	127,556	29,950
Pledged bank deposits		11,735	11,735
Tax recoverable		946	1,405
Cash and cash equivalents		53,196	53,595
		240,518	162,604
Current liabilities			
Trade payables	15	28,485	26,779
Accruals and other payables	16	47,298	39,982
Amounts due to directors		717	723
Borrowings		226	3,262
Bills payable		21,856	21,856
		98,582	92,602
Net current assets		141,936	70,002
Total assets less current liabilities		317,996	260,221
Non-current liabilities			
Deferred tax liabilities		4,794	6,056
Net assets		313,202	254,165
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	877,216	731,216
Reserves		(564,438)	(506,722)
		312,778	224,494
Non-controlling interests		424	29,671
Total equity		313,202	254,165

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2012*

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(131,687)	(45,486)
Net cash used in investing activities	(12,634)	(9,035)
Net cash generated from/(used in) financing activities	142,670	(10,059)
Decrease in cash and cash equivalents	(1,651)	(64,580)
Cash and cash equivalents at beginning of period	53,595	147,248
Effect of foreign exchange rate changes, net	1,252	2,024
Cash and cash equivalents at end of period	53,196	84,692

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Equity attributable to owners of the Company						Non-	Total
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Translation reserve HK\$'000 (Unaudited)	Equity compensation reserve HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	controlling	equity
							interests	HK\$'000 (Unaudited)
At 1 January 2012	731,216	621,126	10,717	74,340	(1,212,905)	224,494	29,671	254,165
Transactions with owners								
Subscription of new shares	146,000	-	-	-	-	146,000	-	146,000
Share issuance expenses	-	(294)	-	-	-	(294)	-	(294)
Recognition of equity-settled share-based compensation	-	-	-	3,830	-	3,830	-	3,830
Disposal of subsidiaries (note 18)	-	-	-	-	-	-	(26,039)	(26,039)
Total transactions with owners	146,000	(294)	-	3,830	-	149,536	(26,039)	123,497
Loss for the period	-	-	-	-	(55,937)	(55,937)	(3,208)	(59,145)
Other comprehensive income								
Exchange differences on translation of financial statements of subsidiaries	-	-	100	-	-	100	-	100
Transfer of translation reserve to profit or loss on disposal of subsidiaries (note 18)	-	-	(5,415)	-	-	(5,415)	-	(5,415)
Total comprehensive income	-	-	(5,315)	-	(55,937)	(61,252)	(3,208)	(64,460)
At 30 June 2012	877,216	620,832	5,402	78,170	(1,268,842)	312,778	424	313,202
	Equity attributable to owners of the Company						Non-	Total
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Translation reserve HK\$'000 (Unaudited)	Equity compensation reserve HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	controlling	equity
							interests	HK\$'000 (Unaudited)
At 1 January 2011	730,916	620,923	7,410	43,611	(1,021,727)	381,133	31,629	412,762
Transactions with owners								
Recognition of equity-settled share-based compensation	-	-	-	30,890	-	30,890	-	30,890
Proceeds from shares issued under share option scheme	300	42	-	-	-	342	-	342
Total transactions with owners	300	42	-	30,890	-	31,232	-	31,232
Loss for the period	-	-	-	-	(85,425)	(85,425)	(1,441)	(86,866)
Other comprehensive income								
Exchange differences on translation of financial statements of subsidiaries	-	-	4,425	-	-	4,425	917	5,342
Total comprehensive income	-	-	4,425	-	(85,425)	(81,000)	(524)	(81,524)
At 30 June 2011	731,216	620,965	11,835	74,501	(1,107,152)	331,365	31,105	362,470

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

This unaudited interim financial information (“The Unaudited Interim Financial Information”) has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure provisions in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Unaudited Interim Financial Information does not include all of the information required in the annual financial statement, and should be read in conjunction with the Group’s annual financial statements of the Company for the year ended 31 December 2011 (“the 2011 Annual Financial Statements”).

The Unaudited Interim Financial Information for the six months ended 30 June 2012 was approved for issue by the board of directors on 31 August 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Unaudited Interim Financial Information has been prepared in accordance with the accounting policies and method of comparatives used in the 2011 Annual Financial Statements, except for the adoption of the new or revised Hong Kong Financial Reporting Standards (“HKFRSs”), which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Int”). The adoption of these new or revised HKFRSs has had no material impact on the Group’s financial statements. The Group has not early adopted any new or revised HKFRSs that have been issued but are not yet effective.

3. REVENUE

Revenue, which is also the Group’s turnover, represents total invoiced value of goods supplied.

4. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Company’s executive directors. The executive directors have identified the Group’s product and service lines as operating segments as follows:

- (i) natural resources business;
- (ii) development and manufacturing of lithium-ion power battery; and
- (iii) development and manufacturing of hybrid vehicles.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

During the period, the Group has discontinued its operations of environmental products and related business. These operations had been presented as discontinued operations and details have been set out in note 7 to the Unaudited Interim Financial Information.

For the six months ended 30 June 2012

	Natural resources business HK\$'000 (Unaudited)	Lithium-ion power batteries business HK\$'000 (Unaudited)	Hybrid vehicles business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue				
Sales to external customers	–	17,154	–	17,154
Segment results	(7,075)	(1,828)	(24,581)	(33,484)
Unallocated corporate income and expense, net				(32,323)
Share-based compensation				(3,830)
Loss before income tax				(69,637)
Income tax credit				1,210
Loss for the period from continuing operations				(68,427)
Profit for the period from discontinued operations (note 7.2)				9,282
Loss for the period				(59,145)

For the six months ended 30 June 2011

	Natural resources business HK\$'000 (Unaudited)	Lithium-ion power batteries business HK\$'000 (Unaudited)	Hybrid vehicles business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue				
Sales to external customers	–	24,103	–	24,103
Segment results	(6,624)	1,497	(22,543)	(27,670)
Unallocated corporate income and expense, net				(29,439)
Share-based compensation				(30,890)
Loss before income tax				(87,999)
Income tax credit				136
Loss for the period from continuing operations				(87,863)
Profit for the period from discontinued operations (note 7.2)				997
Loss for the period				(86,866)

Management determines the Group is domiciled in Hong Kong, which is the location of the Group's principal office.

At 30 June 2012, non-current assets (other than financial instruments) of HK\$429,000 (31 December 2011: HK\$500,000), HK\$103,931,000 (31 December 2011: HK\$133,998,000) and HK\$15,035,000 (31 December 2011: HK\$20,624,000) are located in the Hong Kong, the People's Republic of China ("PRC") and the United States respectively.

For goodwill and intangible assets, the geographical location is based on the entities' areas of operation. The geographical location of other non-current assets (other than financial instruments) is based on the physical location of the asset.

5. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<u>Continuing operations</u>		
Loss before income tax is arrived after charging/(crediting):		
Share-based compensation	3,830	30,890
Amortisation of intangible assets	2,890	4,207
Depreciation of property, plant and equipment	7,333	7,511
Impairment of intangible assets	5,575	–
Impairment of goodwill	4,867	–
Change in fair value of other financial asset	(10,000)	–
Research and development expenses	18,501	8,468

6. INCOME TAX CREDIT

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<u>Continuing operations</u>		
Current tax – PRC Enterprise Income Tax	52	224
Deferred tax	(1,262)	(360)
Total income tax credit	(1,210)	(136)

For the six months ended 30 June 2012 and 2011, no provision for Hong Kong profits tax has been made in the financial statements as the Group did not derive any assessable profits for the year in Hong Kong. Taxation on PRC and overseas profits has been calculated on the estimated assessable profit for those periods at the rates of taxation prevailing in the jurisdictions in which the Group operates.

7. DISCONTINUED OPERATIONS

- 7.1 On 22 December 2011, the Group entered into an agreement with a non-controlling shareholder of its subsidiary, Beijing Century Wanyeyuan Bio-Engineering Co., Limited (“Beijing Century”) to a disposal of the Group’s 65% equity interests in Beijing Century and its subsidiaries (collectively “Beijing Century Group”), which was principally engaged in environmental products and related business. The change of shareholder of Beijing Century Group was completed on 17 March 2012 and the Group had ceased to have control of Beijing Century Group and discontinued its operations in respect of environmental products and related business in accordance with HKFRS 5. The Group has also re-presented the disclosure for comparatives presented in the Unaudited Interim Financial Information so that the disclosures related to these operations that have been discontinued by the reporting date for the latest period presented. For the period ended 30 June 2012, the profits on these discontinued operations amounted to HK\$9,282,000 (six months ended 30 June 2011: HK\$997,000). Upon completion of disposal of Beijing Century Group, the Group has recognised a gain of HK\$12,164,000 (six months ended 30 June 2011: Nil) in respect of disposal of subsidiaries.
- 7.2 An analysis of the results and cash flows of the discontinued operations for the period is as follows:

	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue	29	8,143
Cost of sales	(11)	(2,866)
Gross profit	18	5,277
Other income	2	448
Distribution cost and general operating expenses	(2,901)	(4,318)
Finance costs	–	(3)
(Loss)/profit before income tax	(2,881)	1,404
Gain on disposal of subsidiaries (<i>note 18</i>)	12,164	–
Income tax expense	(1)	(407)
Profit for the period from discontinued operations	9,282	997
Cash flows from discontinued operations		
Net cash generated from operating activities	174	1,264
Net cash inflow	174	1,264

8. LOSS PER SHARE

The calculations of basic and diluted (loss)/earnings per share attributable to owners of the Company are based on the following data:

(Loss)/Earnings

	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
(Loss)/Profit attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share:		
Continuing operations	(66,265)	(86,099)
Discontinued operations	10,328	674
Total loss from continuing and discontinued operations	(55,937)	(85,425)

Number of shares

	2012 Number of shares '000 (Unaudited)	2011 Number of shares '000 (Unaudited)
Weighted average number of shares for the purpose of basic (loss)/earnings per share	8,363,039	7,309,922

Diluted loss per share for both periods was not presented because the impact of the exercise of the share options was anti-dilutive. Potential ordinary shares are dilutive when and only when their conversion into ordinary shares would increase loss per share attributable to owners of the Company.

9. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (Six months ended 30 June 2011: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired property, plant and equipment of HK\$1,833,000 (Six months ended 30 June 2011: HK\$9,035,000). Save as property, plant and equipment disposed of upon the disposal of subsidiaries as mentioned in note 18, for the six months ended 30 June 2012 and 2011, no other property, plant and equipment were disposed of during the period.

11. OTHER FINANCIAL ASSET

	As at 30 June 2012 HK\$'000 (Unaudited)	As at 31 December 2011 HK\$'000 (Audited)
Profit guarantee in relation to the acquisition of Zhejiang GBS Energy Co., Ltd ("GBS"):		
Carrying amount at the beginning of period/year	16,000	–
Change in fair value during the period/year	10,000	16,000
Carrying amount at the end of period/year	26,000	16,000

In 2010, the Group entered into an acquisition agreement (as subsequently supplemented by two supplemental agreements) with independent third parties (the "GBS Vendors") to acquire the entire equity interest of GBS. Pursuant to the agreements, the GBS Vendors have given a profit guarantee (the "Profit Guarantee") to the Group as follows:

1. for the financial year ending 31 December 2010, the profit before tax of GBS shall not be less than RMB5 million;
2. for the financial year ending 31 December 2011, the profit before tax of GBS shall not be less than RMB25 million;
3. for the financial year ending 31 December 2012, the profit before tax of GBS shall not be less than RMB30 million;
4. for the financial year ending 31 December 2013, the profit before tax of GBS shall not be less than RMB35 million.

As security for the attainment of the Profit Guarantee, the GBS Vendors have placed 200,000,000 of the Consideration Shares (the "Retained Shares") in a custodian account of the Group.

If the profit before tax of GBS recorded for any of the financial years during the profit guaranteed period is less than the amount of the Profit Guarantee given by the GBS Vendors (the "Shortfall"), the Group shall be at liberty and at such time and in such manner which the directors considered to be in the Group's best interests to dispose of or otherwise deal with the Retained Shares or any part thereof.

The number of Retained Shares to be sold is determined at a share price of the issued ordinary shares of the Company which is (i) HK\$0.358 each (the contract price as stated in the acquisition agreement) or (ii) the same as the closing price on 31 December of the relevant financial year in which the Profit Guarantee is to be achieved, whichever is the higher. Any Shortfall in the Profit Guarantee will be compensated on a dollar-for-dollar basis, subject to a cap equivalent to 100% of the net proceeds derived from the disposal of the Retained Shares. The Group is not entitled to claim beyond the capped amount if such capped amount is not sufficient to cover the Shortfall in the Profit Guarantee.

The Profit Guarantee was stated at fair value with the corresponding gain or loss being recognised in profit or loss for the period. The gain from change in fair value of the Profit Guarantee during the period of HK\$10,000,000 (six months ended 30 June 2011: Nil) was recognised in the profit or loss for the period.

12. INVENTORIES

	As at 30 June 2012 HK\$'000 (Unaudited)	As at 31 December 2011 HK\$'000 (Audited)
Raw materials	3,249	2,872
Work in progress	8,177	11,271
Finished goods	26,966	19,791
	38,392	33,934

13. TRADE RECEIVABLES

As at 30 June 2012, the ageing analysis of the trade receivables (net of impairment) of the Group was as follows:

	As at 30 June 2012 HK\$'000 (Unaudited)	As at 31 December 2011 HK\$'000 (Audited)
0 – 30 days	220	11,240
31 – 90 days	3,835	7,124
91 – 180 days	2,000	5,385
Over 180 days	1,688	8,236
	7,743	31,985

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2012 HK\$'000 (Unaudited)	As at 31 December 2011 HK\$'000 (Audited)
Prepayments to suppliers	209	628
Other receivables	52,758	22,412
Prepayment for research and development projects	15,540	–
Other prepayments	34,031	6,910
Consideration receivable from the purchaser for disposal of subsidiaries (<i>note 18</i>)	25,018	–
	127,556	29,950

15. TRADE PAYABLES

As at 30 June 2012, the ageing analysis of the trade payables of the Group was as follows:

	As at 30 June 2012 HK\$'000 (Unaudited)	As at 31 December 2011 HK\$'000 (Audited)
0 – 180 days	21,675	12,788
Over 180 days	6,810	13,991
	28,485	26,779

16. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2012 HK\$'000 (Unaudited)	As at 31 December 2011 HK\$'000 (Audited)
Deposits received from customers	8,731	2,415
Accrued staff costs	312	770
Other payables	27,280	34,763
Other accrued expenses	4,000	2,034
Amount due to the disposal group (<i>note</i>)	6,975	–
	47,298	39,982

Note:

The amount due to the disposal group of HK\$6,975,000 (*note 18*) was fully settled after the reporting date.

17. SHARE CAPITAL

	At 30 June 2012 (Unaudited)		At 31 December 2011 (Audited)	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.10 each	800,000,000,000	80,000,000	800,000,000,000	80,000,000
<i>Issued and fully paid:</i>				
At beginning of period/year	7,312,159,756	731,216	7,309,159,756	730,916
Subscription of new shares during the period (<i>note</i>)	1,460,000,000	146,000	-	-
Shares issued from the share options scheme	-	-	3,000,000	300
At end of period/year	8,772,159,756	877,216	7,312,159,756	731,216

Note:

On 27 January 2012, the Group entered into agreements with five subscribers (the "Subscribers") pursuant to which the Subscribers agreed to subscribe for an aggregate of 1,460,000,000 new shares at the subscription price of HK\$0.10 per subscription share. The subscription of shares was completed on 20 February 2012 and the gross cash proceeds of HK\$146,000,000 have been received by the Group.

18. DISPOSAL OF SUBSIDIARIES

As mentioned in note 7.1, the Group entered into an agreement with a non-controlling shareholder of its subsidiary (the "Purchaser") to dispose of the Group's 65% equity interests in Beijing Century Group at the consideration of RMB41,000,000 (equivalent to approximately HK\$50,553,000). The disposal of Beijing Century Group was completed on 17 March 2012. The net assets of Beijing Century Group at the date of disposal were as follows:

	Carrying amounts HK\$'000 (Unaudited)
Net assets disposed of:	
Property, plant and equipment	6,019
Prepaid land lease payments	1,380
Intangible assets	7,376
Inventories	6,435
Trade receivables	6,528
Prepayments, deposits and other receivables	2,883
Amount due from remaining group	6,975
Cash and cash equivalents	36,336
Trade payables	(3,225)
Accruals and other payables	(863)
Tax payables	(1)
	<u>69,843</u>
Non-controlling interests	<u>(26,039)</u>
	43,804
Release of translation reserve upon disposal of subsidiaries	(5,415)
Gain on disposal of subsidiaries (<i>note 7.2</i>)	<u>12,164</u>
Total consideration	<u>50,553</u>
Satisfied by	
Cash	<u>50,553</u>
Net cash outflow arising from disposal of subsidiaries	HK\$'000 (Unaudited)
Cash consideration (<i>note</i>)	50,553
Cash and cash equivalents disposed of	<u>(36,336)</u>
	14,217
Remaining balance of the cash consideration receivable from the Purchaser as at 30 June 2012 (<i>note</i>)	<u>(25,018)</u>
Net cash outflow from disposal of subsidiaries during the period	<u>(10,801)</u>

Beijing Century Group contributed revenue of HK\$29,000 and net loss of HK\$2,882,000 to the Group for the period from 1 January 2012 to 17 March 2012 (being effective date of disposal).

Note:

During the period, the Group has received part of the cash consideration of HK\$25,535,000 from the Purchaser. The remaining balance of HK\$25,018,000 due from the Purchaser was included in prepayments, deposits and other receivables as at 30 June 2012 (*note 14*).

19. CAPITAL COMMITMENT

As at 30 June 2012, the Group has the following capital commitments:

	As at 30 June 2012 HK\$'000 (Unaudited)	As at 31 December 2011 HK\$'000 (Audited)
Contracted but not provided for		
– Establishment of a subsidiary in the PRC	6,071	6,071
– Purchase of property, plant and equipment	–	97
– Research and development projects	36,036	36,036
	42,107	42,204

20. RELATED PARTY TRANSACTIONS

The directors represent the key management of the Group. During the period, the key management personnel compensations amounted to HK\$5,948,000 (six months ended 30 June 2011: HK\$5,961,000).

Save as disclosed above and elsewhere in the Unaudited Interim Financial Information, the Group had no other significant related party transactions during the period.

MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION

BUSINESS REVIEW

Overview

The principal businesses of the Group during the six months' period ended 30 June 2012 (the "Period") included the environmental automobile and related business (comprising the automobile battery business and the environmental automobile business), the environmental products and related business, and the natural resources business.

The Group's turnover and loss attributable to shareholders for the Period amounted to HK\$17.15 million (2011: HK\$24.10 million) and HK\$55.94 million (2011: HK\$85.43 million) respectively. The loss for the Period was mainly attributable to the general operating expenses and impairment of goodwill for the automobile battery business.

The general operating expenses for the Period decreased to HK\$80.73 million (2011: HK\$95.17 million) which consisted of the research and development expenses of HK\$18.50 million (2011: HK\$8.47 million), depreciation expenses of HK\$7.33 million (2011: HK\$7.51 million), share-based compensation of HK\$3.83 million for share options granted during the Period (2011: HK\$30.89 million) and salary expenses of HK\$23.69 million (2011: HK\$24.70 million).

(a) Environmental automobile and related business

Automobile Battery Business

The Group engages in the automobile battery business through the Company's wholly owned subsidiary, Zhejiang GBS Energy Co., Ltd. (浙江佳貝思綠色能源有限公司) ("GBS"). For the Period, the turnover and the loss of this segment were approximately HK\$17.15 million and HK\$1.83 million as compared to the turnover of approximately HK\$24.10 million and the profit of approximately HK\$1.50 million in the same period of 2011. The impairment of goodwill and the impairment of intangible assets for the business amounted to HK\$4.87 million (30 June 2011: nil) and HK\$5.58 million for the Period (30 June 2011: nil).

During the Period, mounting auto incidents in the PRC raised quality and safety concerns over both domestic as well as foreign autos and did affect the domestic market growth. Increasing costs of materials, manufacturing overhead and labour also had an impact on the profit margin and affected the performance of this business segment.

The business operation of GBS during the year ended 2011 and in the ensuing six-month period had not been performing as well as the ex-owners of GBS had expected and the profits guaranteed could not be achieved as disclosed by the Company in its announcement on 25 June 2012. Since the business performance of GBS has been affected more by external factors (rather than internal factors) which is not entirely within the control of the Group, the Board considers it more worthwhile and pragmatic to work closely together with the core management of GBS to resolve matter amicably and find ways to improve the performance of GBS rather than resorting to any legal recourse available to the Group under this uncertain and fragile global economy which the Directors consider may not be in the best interests of the Group.

The prevailing market condition has caused the Group's automobile battery business to lack its buoyance. As the Board envisages that the growth in this line of business of the Group would continue to be restrained until significant and proven breakthrough in battery architecture and technology for electric and hybrid vehicles can be made, the Group has slowed down the pace of business expansion and will re-examine and adjust the business strategies for this line of business as and when appropriate.

The Company has feverishly explored, and had in-depth discussions with certain owners of, the next generation battery technologies which have potential to improve the performance of the current battery technologies and revitalize the automobile battery industry. The Company will make the necessary announcement(s) as and when there is any significant progress in accordance with the Listing Rules.

Environmental Automobile Business

The Group engages in the research and development of environmental automobile through its U.S. subsidiary, Hybrid Kinetic Motors Corporation. For the Period, this business segment recorded a loss of approximately HK\$24.58 million (2011: HK\$22.54 million). The loss was mainly attributable to research and development expenditures of HK\$18.50 million.

Notwithstanding that the hybrid and electric cars market in the PRC did not show much improvement in the first half of 2012 as compared with the same period in last year, the Board believes new energy automobiles are still the major driver of the environmental automobile industry and will seek to gain strategic high ground in it.

(b) *Environmental products and related business*

On 22 December 2011, the Group entered into an agreement with a non-controlling shareholder of its subsidiary, Beijing Century Wanyeyuan Bio-Engineering Co., Limited* (北京世紀萬業源生物工程技術有限公司) ("Beijing Century") to a disposal of the Group's 65% equity interests in Beijing Century and its subsidiaries (collectively "Beijing Century Group"), which was principally engaged in environmental products and related business. The change of shareholder of Beijing Century Group was completed in March 2012 and the Group had ceased to have control of Beijing Century Group.

(c) *Natural resources business*

The Group carries on its natural resources business mainly through Jilin Shengshi Mining Ltd. (吉林晟世礦業有限公司) ("Jilin Shengshi") and Nevada Gold Holdings, Inc., being the subsidiaries of the Company. For the Period, this business segment recorded no turnover (2011: NIL). This business segment recorded a loss of HK\$7.08 million (2011: HK\$6.62 million) which was mainly attributable to operating expenses incurred during the Period. Currently, a subsidiary of Jilin Shengshi is the holder of two exploration licences which confer the right to conduct exploration work at certain copper mine (valid for the period from 16 December 2010 to 16 December 2012) and certain copper, aluminium and zinc mines (valid for the period from 16 December 2010 to 16 December 2012) located in the Jilin Province, the PRC.

On 24 September 2008, Jilin Shengshi, entered into the management agreement with Garze Prefecture Rongxin Mining Co., Ltd. (the “Rongxin Mining Co.”) and its shareholders in providing management services in respect of the business operated by, and general administrative affairs of Rongxin Mining Co. and survey, exploration and development of its gold mine located at Sichuan Province, the PRC. In December 2009, Rongxin Mining Co. obtained the exploitation right of the gold mine. After survey and exploration, the Board believed it had potential in rich gold reserve in the gold mine. In order to pursue this opportunity in March 2012, the Group extended the management agreement for another three years till 2015 and paid an additional security deposit of RMB9.0 million. The security deposit is unsecured, interest free and refundable to Jilin Shengshi in accordance with the management agreement (totalling RMB20 million has been paid as at 30 June 2012).

In January 2012, the Group appointed an agent in Angola, Africa to explore investment opportunities in the area of coal, timber and infrastructure in Africa.

The development strategy for the Group’s natural resources business had been subject to constant review and evaluation by the Group during the Period.

PROSPECTS

The global economic environment has become more volatile in recent months and many expectations about the future have become uncertain. Most of the developed economies are having a structural challenge, high unemployment, high government debts, high inflation and these factors have been adversely affecting the growth in every sector of business everywhere. To meet the tough challenges ahead, the Group is constantly examining and rethinking its existing development strategy and may make such adjustments as the Company considers appropriate or expedient to maintain a competitive position under the fluctuation period. For its power battery business, the Group will continue to strive to enhance and enforce quality control and product safety measures for the production of its power battery and related products with an aim of meeting up with international standards. This strategy will not only help strengthen consumer confidence in, and competitiveness of, the Group’s products and also help build allegiance to brand name in an effort to maximize earnings in the long term. Development of new products and innovation of technology will still be the Group’s main emphasis in the near future.

With our shareholders’ best interests in mind and in light of the recent global economic fluctuations and the fact that the US economy has yet to recover back to normal, prudence dictates us to adapt our action plans or timetable and slow-track the development of our automobile business in the US so as to place the Group in a better position to withstand financial and economic turbulence and turn any possible crisis into its opportunities. The Board will pay close attention to the global economy and the operating environment of the automobile industry, in particular in the US and the PRC.

As regards the natural resources business, the Company will continue to examine the development strategy of this business segment, evaluate alternative strategic directions including the effectiveness of its investments and allocation of resources with a view to formulating a suitable plan that can optimize growth of this business segment and generate returns for the Group in the long run.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the total equity of the Group amounted to approximately HK\$313.20 million (31 December 2011: HK\$254.17 million). The gearing ratio of the Group as at 30 June 2012 measured in terms of total liabilities divided by shareholders' equity was approximately 33.05% (31 December 2011: 43.95%). As at 30 June 2012, net current assets of the Group were approximately HK\$141.94 million (31 December 2011: HK\$70.0 million). The pledged bank deposits were approximately HK\$11.74 million (31 December 2011: HK\$11.74 million) while the cash and cash equivalents amounted to HK\$53.20 million (31 December 2011: HK\$53.60 million). The Group also had outstanding borrowings of approximately HK\$226,000 (31 December 2011: HK\$3.26 million).

FUND RAISING ACTIVITIES AND USE OF PROCEEDS DURING THE PERIOD

On 27 January 2012, the Company entered into five several subscription agreements with five several independent subscribers pursuant to which the Company agreed to allot and issue and such subscribers agreed to subscribe for an aggregate of 1,460,000,000 new shares in the Company at the subscription price of HK\$0.10 each (the "Subscription"). The Subscription was completed on 20 February 2012 with net proceeds of HK\$145.7 million raised of which approximately HK\$92.5 million was utilized as general working capital for the development of the environmental automobile and related business of the Group as at 30 June 2012.

The application of the net proceeds was in line with the intended use of net proceeds as disclosed in the announcement of the Company dated 27 January 2012.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group had a total of 220 employees as at 30 June 2012. It has been the Group's policy to ensure that the remuneration levels of its employees are reviewed and rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group has participated in a mandatory provident fund scheme for its employees based in Hong Kong. Shares options may also be granted to employees of the Group to recognize their contributions to the Group or serve as an incentive to retain them for the development of the Group.

PLEDGE OF GROUP ASSETS

As at 30 June 2012, the Group had pledged its bank deposits of HK\$11.74 million (31 December 2011: HK\$11.74 million) to the Group's bankers to secure general banking facilities granted to the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

During the Period, almost all of the income and expenditure of the Group were denominated in Renminbi, Hong Kong dollar and United States dollar, and the Group had no significant exposure to foreign exchange fluctuations and, therefore, had not taken any financial instruments for hedging purpose.

MATERIAL ACQUISITIONS AND DISPOSALS

Except for the disposal of the Beijing Century Group completed in March 2012 as disclosed above, there were no material acquisitions and disposals of the Group during the Period.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2012, according to the register kept by the Company pursuant to section 336 of the Securities and Futures Ordinance ("SFO") and so far as is known to, or can be ascertained after reasonable enquiry by the directors of the Company, the following parties had an interest or short position in the shares and underlying shares of the Company ("Shares") which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Nature of interest	Number of Shares	Percentage (Note 4)
Sun East LLC	Beneficial owner (Note 1)	2,213,268,989	25.23%
Yeung Yung	Interest of controlled corporation (Note 2)	2,213,268,989	25.23%
	Beneficial owner (Note 3)	10,000,000	0.11%
		2,223,268,989	25.34%

Notes:

1. Sun East LLC is owned as to 35% by Dr Yeung Yung (shared commonly with his wife under the laws of California, the US) and 65% by Mr Ma Manwai (alias Ma Manwai, Philip) and Mr Jimmy Wang (alias Wang Jian) as co-trustees for certain trusts established for the benefit of the children of Dr Yeung Yung on 30 December 2002. Dr Yeung Yung (as well as his spouse) was deemed to be interested in these 2,213,268,989 Shares held by Sun East LLC under Part XV of the SFO.
2. These 2,213,268,989 Shares are the same parcel of Shares held by Sun East LLC in which Dr Yeung Yung (as well as his spouse) is deemed interested under Part XV of the SFO.
3. These 10,000,000 Shares are directly held by Dr Yeung Yung, in which his spouse is deemed interested under Part XV of the SFO.
4. The percentage of shareholding is calculated on the basis of 8,772,159,756 Shares in issue as at 30 June 2012 and does not take into account any Shares which may fall to be allotted and issued upon exercise of any subscription rights attaching to any share options granted by the Company.

Save as disclosed above, no person, other than those Directors whose interests are set out in the section "Directors' and chief executive's interests and short positions" below, had registered an interest or short positions in the share capital or underlying shares of the Company that was required to be recorded under Section 336 of SFO.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 June 2012, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were as follow:

(1) Long positions in the ordinary share (each a "Share") of HK\$0.10 each in the Company

Name of Director	Number of Shares	Capacity	Approximate percentage of shareholding (Note 1)
Yeung Yung	2,213,268,989 (Note 2)	Controlled Corporation	
	10,000,000	Beneficial owner	
	2,223,268,989 (Note 3)		25.34%
Liu Stephen Quan	241,760,000 (Note 4)	Family interest	
	40,000,000	Beneficial owner	
	281,760,000		3.21%
Zhu Shengliang	5,333,883	Beneficial owner	0.06%
Hui Wing Sang, Wilson	2,904,000	Beneficial owner	0.03%
Li Zhengshan	8,700,000	Beneficial owner	0.10%

Notes:

- (1) The percentage of shareholding is calculated on the basis of 8,772,159,756 Shares in issue as at 30 June 2012 and did not take into account any Shares which may fall to be allotted and issued upon exercise of any subscription rights attaching to any share options granted by the Company.
- (2) These Shares are held by Sun East LLC. Sun East LLC is a limited liability company incorporated in California, the US, which is owned as to (i) 35% by Dr Yeung Yung (shared commonly with his spouse under the laws of California, the US) and 65% by Mr Ma Manwai (alias Ma Manwai, Philip) and Mr Jimmy Wang (alias Wang Jian) as co-trustees for certain trusts established for the benefit of the children of Dr Yeung Yung on 30 December 2002. Dr Yeung Yung (as well as his spouse) was deemed to be interested in the Shares held by Sun East LLC under Part XV of the SFO.
- (3) The spouse of Dr Yeung Yung is deemed to be interested in the Shares beneficially held by Dr Yeung Yung By virtue of Part XV of the SFO.
- (4) These Shares are held by Fortune Venture Holdings Limited, a company incorporated in the British Virgin Islands whose entire issued share capital is solely and beneficially owned by Ms Li Xiaojin (the spouse of Mr Liu Stephen Quan). Mr Liu Stephen Quan is deemed to be interested in the Shares held by his spouse through Fortune Venture Holdings Limited by virtue of Part XV of the SFO.

(2) Interests in share options of the Company

Name of Director	Date of grant	Exercisable period	Exercise price (HK\$)	Number of underlying Shares subject to outstanding Options	Approximate percentage of shareholding (Note)
Yeung Yung	9 August 2005	29 August 2005 to 8 August 2015	0.102	11,140,000	
	6 February 2008	6 February 2008 to 5 February 2018	0.114	27,000,000	
	24 June 2009	24 June 2009 to 11 June 2013	0.123	40,000,000	
	26 May 2011	26 May 2011 to 11 June 2013	0.1338	35,000,000	
				113,140,000	1.29%
Huang Chunhua	24 June 2009	24 June 2009 to 11 June 2013	0.123	20,000,000	
	17 November 2009	17 November 2009 to 11 June 2013	0.295	10,000,000	
	26 May 2011	26 May 2011 to 11 June 2013	0.1338	35,000,000	
				65,000,000	0.74%
Wang Chuantao	24 June 2009	24 June 2009 to 11 June 2013	0.123	15,000,000	
	17 November 2009	17 November 2009 to 11 June 2013	0.295	10,000,000	
	26 May 2011	26 May 2011 to 11 June 2013	0.1338	20,000,000	
				45,000,000	0.51%

Name of Director	Date of grant	Exercisable period	Exercise price (HK\$)	Number of underlying Shares subject to outstanding Options	Approximate percentage of shareholding (Note)
Liu Stephen Quan	26 May 2011	26 May 2011 to 11 June 2013	0.1338	10,000,000	0.11%
Hui Wing Sang, Wilson	6 February 2008	6 February 2008 to 5 February 2018	0.114	27,000,000	
	24 June 2009	24 June 2009 to 11 June 2013	0.123	21,000,000	
	26 May 2011	26 May 2011 to 11 June 2013	0.1338	35,000,000	
				83,000,000	0.95%
Zhu Shengliang	9 August 2005	29 August 2005 to 8 August 2015	0.102	16,710,000	
	24 June 2009	24 June 2009 to 11 June 2013	0.123	1,290,000	
	10 July 2009	10 July 2009 to 11 June 2013	0.185	10,000,000	
	26 May 2011	26 May 2011 to 11 June 2013	0.1338	10,000,000	
				38,000,000	0.43%
Zhang Zhenwei	24 June 2009	24 June 2009 to 11 June 2013	0.123	7,500,000	
	26 May 2011	26 May 2011 to 11 June 2013	0.1338	15,000,000	
				22,500,000	0.26%

Name of Director	Date of grant	Exercisable period	Exercise price (HK\$)	Number of underlying Shares subject to outstanding Options	Approximate percentage of shareholding (Note)
Xu Jianguo	15 April 2010	15 April 2010 to 11 June 2013	0.368	5,000,000	
	26 May 2011	26 May 2011 to 11 June 2013	0.1338	15,000,000	
				20,000,000	0.23%
Li Zhengshan	9 August 2005	29 August 2005 to 8 August 2015	0.102	5,570,000	
	6 February 2008	6 February 2008 to 5 February 2018	0.114	5,000,000	
	24 June 2009	24 June 2009 to 11 June 2013	0.123	4,430,000	
	26 May 2011	26 May 2011 to 11 June 2013	0.1338	15,000,000	
			30,000,000	0.34%	
Xia Tingkang, Tim	26 May 2011	26 May 2011 to 11 June 2013	0.1338	10,000,000	0.11%
Zhu Guobin	26 May 2011	26 May 2011 to 11 June 2013	0.1338	10,000,000	0.11%

Note:

The percentage of shareholding is calculated on the basis of 8,772,159,756 Shares in issue as at 30 June 2012.

Save as disclosed above, none of the Directors or the chief executive of the Company had or were deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2012.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”), which is still in force, on 12 June 2003.

The following share options were outstanding under the Scheme during the period from 1 January to 30 June 2012:

Name or Category of Participant	As at 1 January 2012	Share options granted	Shares options lapsed/ cancelled during the Period	Share options exercised	As at 30 June 2012	Date of Grant	Exercise Price	Exercise Period
Director								
Yeung Yung	11,140,000	-	-	-	11,140,000	<i>Note 1</i>	<i>Note 1</i>	<i>Note 1</i>
	27,000,000	-	-	-	27,000,000	<i>Note 2</i>	<i>Note 2</i>	<i>Note 2</i>
	40,000,000	-	-	-	40,000,000	<i>Note 3</i>	<i>Note 3</i>	<i>Note 3</i>
	35,000,000	-	-	-	35,000,000	<i>Note 8</i>	<i>Note 8</i>	<i>Note 8</i>
Huang Chunhua	20,000,000	-	-	-	20,000,000	<i>Note 3</i>	<i>Note 3</i>	<i>Note 3</i>
	10,000,000	-	-	-	10,000,000	<i>Note 5</i>	<i>Note 5</i>	<i>Note 5</i>
	35,000,000	-	-	-	35,000,000	<i>Note 8</i>	<i>Note 8</i>	<i>Note 8</i>
Wang Chuantao	15,000,000	-	-	-	15,000,000	<i>Note 3</i>	<i>Note 3</i>	<i>Note 3</i>
	10,000,000	-	-	-	10,000,000	<i>Note 5</i>	<i>Note 5</i>	<i>Note 5</i>
	20,000,000	-	-	-	20,000,000	<i>Note 8</i>	<i>Note 8</i>	<i>Note 8</i>
Liu Stephen Quan	10,000,000	-	-	-	10,000,000	<i>Note 8</i>	<i>Note 8</i>	<i>Note 8</i>
Hui Wing Sang, Wilson	27,000,000	-	-	-	27,000,000	<i>Note 2</i>	<i>Note 2</i>	<i>Note 2</i>
	21,000,000	-	-	-	21,000,000	<i>Note 3</i>	<i>Note 3</i>	<i>Note 3</i>
	35,000,000	-	-	-	35,000,000	<i>Note 8</i>	<i>Note 8</i>	<i>Note 8</i>
Zhu Shengliang	16,710,000	-	-	-	16,710,000	<i>Note 1</i>	<i>Note 1</i>	<i>Note 1</i>
	1,290,000	-	-	-	1,290,000	<i>Note 3</i>	<i>Note 3</i>	<i>Note 3</i>
	10,000,000	-	-	-	10,000,000	<i>Note 4</i>	<i>Note 4</i>	<i>Note 4</i>
	10,000,000	-	-	-	10,000,000	<i>Note 8</i>	<i>Note 8</i>	<i>Note 8</i>
Zhang Zhenwei	7,500,000	-	-	-	7,500,000	<i>Note 3</i>	<i>Note 3</i>	<i>Note 3</i>
	15,000,000	-	-	-	15,000,000	<i>Note 8</i>	<i>Note 8</i>	<i>Note 8</i>
Xu Jianguo	5,000,000	-	-	-	5,000,000	<i>Note 6</i>	<i>Note 6</i>	<i>Note 6</i>
	15,000,000	-	-	-	15,000,000	<i>Note 8</i>	<i>Note 8</i>	<i>Note 8</i>
Li Zhengshan	5,570,000	-	-	-	5,570,000	<i>Note 1</i>	<i>Note 1</i>	<i>Note 1</i>
	5,000,000	-	-	-	5,000,000	<i>Note 2</i>	<i>Note 2</i>	<i>Note 2</i>
	4,430,000	-	-	-	4,430,000	<i>Note 3</i>	<i>Note 3</i>	<i>Note 3</i>
	15,000,000	-	-	-	15,000,000	<i>Note 8</i>	<i>Note 8</i>	<i>Note 8</i>

Name or Category of Participant	As at 1 January 2012	Share options granted	Shares options lapsed/ cancelled during the Period	Share options exercised	As at 30 June 2012	Date of Grant	Exercise Price	Exercise Period
Xia Tingkang, Tim	10,000,000	-	-	-	10,000,000	Note 8	Note 8	Note 8
Zhu Guobin	10,000,000	-	-	-	10,000,000	Note 8	Note 8	Note 8
He Bangjie	2,000,000	-	(2,000,000)	-	-	Note 2	Note 2	Note 2
	4,000,000	-	(4,000,000)	-	-	Note 4	Note 4	Note 4
Sub-Total	452,640,000	-	(6,000,000)	-	446,640,000			
Employee (in aggregate)	15,250,000	-	-	-	15,250,000	Note 1	Note 1	Note 1
	31,400,000	-	-	-	31,400,000	Note 2	Note 2	Note 2
	82,702,000	-	-	-	82,702,000	Note 3	Note 3	Note 3
	24,000,000	-	-	-	24,000,000	Note 4	Note 4	Note 4
	44,000,000	-	-	-	44,000,000	Note 5	Note 5	Note 5
	51,500,000	-	(500,000)	-	51,000,000	Note 6	Note 6	Note 6
	191,000,000	-	(500,000)	-	190,500,000	Note 8	Note 8	Note 8
	3,000,000	-	-	-	3,000,000	Note 9	Note 9	Note 9
Sub-Total	442,852,000	-	(1,000,000)	-	441,852,000			
Other eligible persons: (in aggregate)	15,000,000	-	-	-	15,000,000	Note 2	Note 2	Note 2
	7,500,000	-	-	-	7,500,000	Note 3	Note 3	Note 3
	40,000,000	-	-	-	40,000,000	Note 7	Note 7	Note 7
	160,000,000	-	-	-	160,000,000	Note 8	Note 8	Note 8
	65,000,000	-	-	-	65,000,000	Note 9	Note 9	Note 9
	-	115,000,000	-	-	115,000,000	Note 10	Note 10	Note 10
Sub-Total	287,500,000	115,000,000	-	-	402,500,000			
Total:	1,182,992,000	115,000,000	(7,000,000)	-	1,290,992,000			

Notes:

- These share options were granted on 9 August 2005 and are exercisable at a subscription price of HK\$0.102 per share at any time during the period of 10 years from 29 August 2005 to 8 August 2015.
- These share options were granted on 6 February 2008 and are exercisable at a subscription price of HK\$0.114 per share at any time during the period of 10 years from 6 February 2008 to 5 February 2018.
- These share options were granted on 24 June 2009 and are exercisable at a subscription price of HK\$0.123 per share at any time during the period of 4 years from 24 June 2009 to 11 June 2013.
- These share options were granted on 10 July 2009 and are exercisable at a subscription price of HK\$0.185 per share at any time during the period of 3 years and 11 months from 10 July 2009 to 11 June 2013.

5. These share options were granted on 17 November 2009 and are exercisable at a subscription price of HK\$0.295 per share at any time during the period of 3 years and 7 months from 17 November 2009 to 11 June 2013.
6. These share options were granted on 15 April 2010 and are exercisable at a subscription price of HK\$0.368 per share at any time during the period of 3.16 years from 15 April 2010 to 11 June 2013.
7. These share options were granted on 12 April 2011 and are exercisable at a subscription price of HK\$0.146 per share at any time during the period of 2.17 years from 12 April 2011 to 11 June 2013.
8. These share options were granted on 26 May 2011 and are exercisable at a subscription price of HK\$0.1338 per share at any time during the period of 2.05 years from 26 May 2011 to 11 June 2013.
9. These share options were granted on 7 June 2011 and are exercisable at a subscription price of HK\$0.136 per share at any time during the period of 2.01 years from 7 June 2011 to 11 June 2013.
10. These share options were granted on 29 June 2012 and are exercisable at a subscription price of HK\$0.132 per share at any time during the period of 0.95 years from 29 June 2012 to 11 June 2013. The fair value of these share options at the date of grant was approximately amounted to HK\$3.83 million.

Fair value of share options granted on 29 June 2012 and assumptions:

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share option granted is measured based on Binomial Option Pricing Model.

	Measurement date
	29/6/2012
Fair value	HK\$0.0333
Exercise price	HK\$0.132
Expected volatility	83.303%
Life of the Share Options	0.95 year(s)
Risk-free interest rate	0.15%

For the purpose of determining the value of the share options, we have considered all the prominent factors affecting the value, including but not limited to, the followings:

- The share price of the Company as at the measurement date quoted from the Stock Exchange;
- The expected volatility of the share price of the Company based on the historical movement of the Company's share price;
- The risk-free interest rate of Hong Kong Dollar approximated by the yields of Hong Kong Exchange Fund Bills and Notes;
- The suboptimal exercise behavior of the grantee(s);
- The exercise price of the share options granted;
- The nature of the share options granted;
- The exercisable period of the share options granted;
- The expected dividend yield of the underlying securities; and
- Other factors materially affecting the value of the share options granted.

The option value varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of its fair value. The Company takes no responsibilities for the information of option value provided.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

CORPORATE GOVERNANCE

Throughout the Period, the Company had complied with the code provisions and certain recommended best practices set out in the Corporate Governance Code which became effective on 1 April 2012 (formerly the Code on Corporate Governance Practices) (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

During the Period, none of the Directors had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

COMPETING INTERESTS

The Directors were not aware of any business or interest of any of the Directors, or the controlling shareholders of the Company and their respective associates (as defined in the Listing Rules) that competes or may compete, directly or indirectly, with the business of the Group for the Period.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct governing securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed to the Company their compliance with the required standards set out in the Model Code during the Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company had maintained sufficient public float of not less than 25% of its total issued shares as required under the Listing Rules during the Period.

REVIEW OF FINANCIAL STATEMENTS

The interim results for the Period are unaudited and have not been reviewed by the auditor of the Company. The audit committee of the Company has reviewed with management of the Company the accounting principles and practices adopted by the Group, the internal controls and financial reporting matters of the Group, and the unaudited condensed consolidated financial statements of the Group for the Period.

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

Hong Kong, 31 August 2012