



HYBRID KINETIC GROUP LIMITED
正道集團有限公司

(Stock Code: 01188)

Interim **2014**
Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Yeung Yung (*Chairman*)
Dr. Huang Chunhua (*Deputy Chairman*)
Dr. Jang Bor Zeng Bohr (*Deputy Chairman*)
Dr. Wang Chuantao (*Chief Executive Officer*)
Mr. Liu Stephen Quan
Mr. Hui Wing Sang, Wilson
Dr. Zhamu Aruna
Dr. Zhu Shengliang
Mr. Xu Jianguo
Mr. Li Zhengshan

Non-executive Director

Dr. Xia Tingkang, Tim

Independent Non-Executive Directors

Mr. Wong Lee Hing
Dr. Song Jian
Mr. Cheng Tat Wa
Dr. Zhu Guobin
Dr. Li Jianyong
Mr. Chan Sin Hang

COMPANY SECRETARY

Mr. Ting Kwok Kit, Johnny

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.
Great Eagle Centre
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

Appleby Management (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton, HM12
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 2014

	Notes	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	3	25,976	24,036
Cost of sales		(21,873)	(19,552)
Gross profit		4,103	4,484
Other income		2,834	1,018
Distribution costs and general operating expenses		(63,944)	(41,256)
Impairment of goodwill		–	(9,625)
Change in fair value of other financial asset		(2,000)	(4,000)
Finance costs		(1,036)	(996)
Loss before income tax	5	(60,043)	(50,375)
Income tax credit	6	335	329
Loss for the period		(59,708)	(50,046)
Other comprehensive income			
Exchange differences on translation of financial statements of subsidiaries		(5,259)	450
Other comprehensive income for the period		(5,259)	450
Total comprehensive income for the period		(64,967)	(49,596)
Loss for the period attributable to:			
Owners of the Company		(57,891)	(48,663)
Non-controlling interests		(1,817)	(1,383)
		(59,708)	(50,046)
Total comprehensive income for the period attributable to:			
Owners of the Company		(61,176)	(48,213)
Non-controlling interests		(3,791)	(1,383)
		(64,967)	(49,596)
Loss per share for loss attributable to owners of the Company during the period	7		
Loss per share – basic		HK(0.53) cent	HK(0.50) cent
Loss per share – diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	46,561	40,781
Goodwill		11,900	11,900
Intangible assets		24,626	26,837
Other investment		10,809	9,815
		93,896	89,333
Current assets			
Inventories	11	40,966	44,164
Trade receivables	12	28,928	28,392
Bills receivable		384	989
Prepayments, deposits and other receivables	13	282,638	337,438
Amount due from a non-controlling shareholder of a subsidiary		113	54,239
Other financial asset	10	22,000	24,000
Derivative financial asset		9,109	13,260
Short-term investment		17,623	8,876
Structured bank deposit		10,700	–
Pledged bank deposits		1,741	807
Cash and cash equivalents		126,642	147,996
		540,844	660,161
Current liabilities			
Trade payables	14	32,152	32,349
Accruals and other payables	15	42,291	49,611
Borrowings		26,090	7,815
Bills payable		4,710	12,680
Tax payable		1,169	1,747
		106,412	104,202
Net current assets		434,432	555,959
Total assets less current liabilities		528,328	645,292
Non-current liabilities			
Deferred tax liabilities		3,670	4,005
Net assets		524,658	641,287
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	1,239,091	1,041,116
Reserves		(755,458)	(695,075)
		483,633	346,041
Non-controlling interests		41,025	295,246
Total equity		524,658	641,287

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2014*

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Loss before income tax	(60,043)	(50,375)
Adjustments for:		
Share-based compensation	1,630	1,630
Interest income	(324)	(578)
Imputed interest income on long-term non-interest bearing deposits	(994)	–
Interest expense	1,036	996
Depreciation of property, plant and equipment	4,613	5,535
Amortisation of intangible assets	2,243	2,124
Fair value loss on derivative financial asset	4,151	
Impairment of goodwill	–	9,625
Impairment of trade receivables	603	–
Impairment of other receivables	2,999	–
Gain on disposal of property, plant and equipment	(815)	
Change in fair value of other financial asset	2,000	4,000
Operating loss before working capital changes	(42,901)	(27,043)
Decrease/(increase) in inventories	3,198	(6,384)
(Increase)/decrease in trade receivables	(1,139)	6,564
Decrease in bills receivable	605	–
Decrease in other receivables, prepayments and deposits	51,801	53,124
Decrease in trade payables	(432)	(831)
Decrease in accruals and other payables	(7,320)	(8,827)
(Decrease)/increase in bills payable	(7,970)	129
Cash (used in)/generated from operations	(4,158)	16,732
Interest paid	(1,036)	(844)
Income tax paid	(316)	(996)
<i>Net cash (used in)/generated from operating activities</i>	(5,510)	14,892

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)*For the six months ended 30 June 2014*

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,625)	(515)
Purchase of short-term investment	(54,128)	–
Settlement of short-term investment	45,317	–
Settlement from a non-controlling shareholder of a subsidiary	54,126	–
Interest received	324	578
Proceeds from disposal of property, plant and equipment	641	–
Increase in pledged bank deposits	(934)	–
Increase in structured bank deposit	(10,700)	–
	25,021	63
<i>Net cash generated from investing activities</i>		
Cash flows from financing activities		
Proceeds from issuance of share capital	197,975	163,800
Share issue expenses	(323)	(510)
Capital contribution by non-controlling interests	–	12,203
Capital reduction from non-controlling interests	(250,944)	–
Proceeds from borrowings	23,366	25,076
Repayment of borrowings	(5,072)	(3,470)
	(34,998)	197,099
<i>Net cash (use in)/generated from financing activities</i>		
Net (decrease)/increase in cash and cash equivalents	(15,487)	212,054
Cash and cash equivalents at 1 January	147,996	21,006
Effect of exchange rate fluctuation	(5,867)	271
Cash and cash equivalents at 30 June	126,642	233,331
Analysis of balances of cash and cash equivalents		
Cash and bank balances	126,642	233,331

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Equity attributable to owners of the Company						Non-controlling interests	Total equity	
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Translation reserve HK\$'000 (Unaudited)	Equity compensation reserve HK\$'000 (Unaudited)	Other reserve HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	
At 1 January 2014	1,041,116	620,418	7,554	172,358	-	(1,495,405)	346,041	295,246	641,287
Transactions with owners									
Subscription of new shares	197,975	-	-	-	-	-	197,975	-	197,975
Share issuance expenses	-	(323)	-	-	-	-	(323)	-	(323)
Recognition of equity-settled share-based compensation	-	-	-	1,630	-	-	1,630	-	1,630
Additional interests in a subsidiary acquired by the Group	-	-	-	-	(514)	-	(514)	514	-
Capital reduction from non-controlling interests	-	-	-	-	-	-	-	(250,944)	(250,944)
Total transactions with owners	197,975	(323)	-	1,630	(514)	-	198,768	(250,430)	(51,662)
Loss for the period	-	-	-	-	-	(57,891)	(57,891)	(1,817)	(59,708)
Other comprehensive income									
Exchange differences on translation of financial statements of subsidiaries	-	-	(3,285)	-	-	-	(3,285)	(1,974)	(5,259)
Total comprehensive income	-	-	(3,285)	-	-	(57,891)	(61,176)	(3,791)	(64,967)
At 30 June 2014	1,239,091	620,095	4,269	173,988	(514)	(1,553,296)	483,633	41,025	524,658

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(CONTINUED)***For the six months ended 30 June 2013*

	Equity attributable to owners of the Company					Total	Non- controlling interests	Total equity
	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)			
At 1 January 2013	877,216	620,832	6,061	78,170	(1,316,319)	265,960	(1,791)	264,169
Transactions with owners								
Subscription of new shares	163,800	-	-	-	-	163,800	-	163,800
Share issuance expenses	-	(510)	-	-	-	(510)	-	(510)
Recognition of equity-settled share-based compensation	-	-	-	1,630	-	1,630	-	1,630
Capital contribution from non-controlling interests	-	-	-	-	-	-	12,203	12,203
Total transactions with owners	163,800	(510)	-	1,630	-	164,920	12,203	177,123
Loss for the period	-	-	-	-	(48,663)	(48,663)	(1,383)	(50,046)
Other comprehensive income								
Exchange differences on translation of financial statements of subsidiaries	-	-	450	-	-	450	-	450
Total comprehensive income	-	-	450	-	(48,663)	(48,213)	(1,383)	(49,596)
At 30 June 2013	1,041,016	620,322	6,511	79,800	(1,364,982)	382,667	9,029	391,696

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

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 to 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 2013 (the “2013 Annual Financial Statements”).

The Unaudited Interim Financial Information for the six months ended 30 June 2014 was approved for issue by the board of directors on 29 August 2014.

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 2013 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;
- (iii) development and manufacturing of hybrid vehicles; and
- (iv) development of advanced batteries materials.

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

4. SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2014

	Natural resources business HK\$'000 (Unaudited)	Lithium-ion power batteries business HK\$'000 (Unaudited)	Hybrid vehicles business HK\$'000 (Unaudited)	Development of advanced batteries materials HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue					
Sales to external customers	–	25,976	–	–	25,976
Segment results	(4,926)	(12,545)	(7,434)	(1,926)	(26,831)
Unallocated corporate income and expense, net					(31,582)
Share-based compensation					(1,630)
Loss before income tax					(60,043)
Income tax credit					335
Loss for the period					(59,708)

For the six months ended 30 June 2013

	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	–	24,036	–	24,036
Segment results	(4,973)	(16,647)	(13,999)	(35,619)
Unallocated corporate income and expenses, net				(13,126)
Share-based compensation				(1,630)
Loss before income tax				(50,375)
Income tax credit				329
Loss for the period				(50,046)

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

4. SEGMENT INFORMATION (CONTINUED)

At 30 June 2014, non-current assets (other than financial instruments) of HK\$1,789,000 (31 December 2013: HK\$93,000), HK\$69,914,000 (31 December 2013: HK\$73,659,000) and HK\$11,384,000 (31 December 2013: HK\$5,766,000) are located in Hong Kong, the People's Republic of China (the "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	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss before income tax is arrived after charging/(crediting):		
Share-based compensation	1,630	1,630
Amortisation of intangible assets	2,243	2,124
Depreciation of property, plant and equipment	4,613	5,535
Impairment of goodwill	–	9,625
Change in fair value of other financial asset (note 10)	2,000	4,000
Change in fair value of derivative financial asset	4,151	–
Research and development expenses	4,014	937

6. INCOME TAX CREDIT

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax	–	3
Deferred tax	(335)	(332)
Total income tax credit	(335)	(329)

For the six months ended 30 June 2014 and 2013, 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. LOSS PER SHARE

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

Loss

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	(57,891)	(48,663)

Number of shares

	2014	2013
	Number of shares '000	Number of shares '000
	(Unaudited)	(Unaudited)
Weighted average number of shares for the purpose of basic loss per share	10,986,101	9,668,082

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.

8. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired and disposed of property, plant and equipment of HK\$9,625,000 and HK\$174,000 respectively (Six months ended 30 June 2013: HK\$515,000 and nil).

10. OTHER FINANCIAL ASSET

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Profit guarantee in relation to the acquisition of Zhejiang GBS Energy Co., Ltd (“GBS”):	22,000	24,000

In April 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 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 instruct the GBS Vendors to dispose of the Retained Shares or any part thereof and compensate the Group the shortfall.

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 loss from change in fair value of the Profit Guarantee during the period of HK\$2,000,000 (six months ended 30 June 2013: loss from change in fair value of HK\$4,000,000) was recognised in the profit or loss for the period.

The Profit Guarantee period ceased as of 31 December 2013. Pursuant to the actual result of GBS during the years ended 31 December 2010, 2011, 2012 and 2013, the Profit Guarantee was not met and the Group has the right to receive compensation from GBS Vendors equivalent to 100% of the net proceeds from the disposal of the Retained Shares.

10. OTHER FINANCIAL ASSET (CONTINUED)

Fair value hierarchy

	Unaudited Fair value measurement as at 30 June 2014			Fair value as at 30 June 2014 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurement				
Financial assets:				
Other financial asset	–	22,000	–	22,000
Audited Fair value measurement as at 31 December 2013				
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Fair value as at 31 December 2013 HK\$'000
Recurring fair value measurement				
Financial assets:				
Other financial asset	–	24,000	–	24,000

During the six months ended 30 June 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (Year ended 31 December 2013: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

11. INVENTORIES

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Raw materials	3,580	2,113
Work in progress	21,611	12,567
Finished goods	15,775	29,484
	40,966	44,164

12. TRADE RECEIVABLES

As at 30 June 2014, the ageing analysis of the trade receivables (net of impairment) of the Group was as follows:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
0 – 30 days	4,035	16,136
31 – 90 days	11,025	1,524
91 – 180 days	7,715	3,262
Over 180 days	6,153	7,470
	28,928	28,392

The Group normally applies credit terms to its customers according to industry practice together with consideration of their creditability and repayment history. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Prepayments to suppliers	876	903
Prepayment for research and development projects	156,697	–
Other receivables	52,424	59,868
Other deposits and prepayments	72,641	276,667
	282,638	337,438

14. TRADE PAYABLES

As at 30 June 2014, the ageing analysis of the trade payables of the Group was as follows:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
0 – 180 days	21,896	13,313
Over 180 days	10,256	19,036
	32,152	32,349

15. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Deposits received from customers	1,729	1,534
Accrued staff costs	836	1,131
Other payables	37,733	43,087
Other accrued expenses	1,993	3,859
	42,291	49,611

16. SHARE CAPITAL

	At 30 June 2014 (Unaudited)		At 31 December 2013 (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	10,411,159,756	1,041,116	8,772,159,756	877,216
Subscription of new shares during the period/year (note (i))	1,979,750,000	194,975	1,638,000,000	163,800
Shares issued from the share options scheme (note (iii))	–	–	1,000,000	100
At end of period/year	12,390,909,756	1,239,091	10,411,159,756	1,041,116

16. SHARE CAPITAL (CONTINUED)

Notes:

(i) On 17 April 2014, the Company entered into agreements with 31 subscribers pursuant to which the subscribers agreed to subscribe for an aggregate of 2,079,750,000 new shares at the subscription price of HK\$0.10 per subscription share. On 7 May 2014, 2 individual subscribers indicated to the Company of their intention to withdraw their respective subscription agreements, which involved the cancellation of the subscription of an aggregate of 100,000,000 subscription shares, by entering into a cancellation agreement with each of the outgoing subscribers. On 8 May 2014, 29 subscribers completed the subscription of aggregate of 1,979,750,000 shares and the gross cash proceeds of HK\$197,975,000 were received by the Company.

On 23 November 2012, the Company entered into agreements with three subscribers pursuant to which the subscribers agreed to subscribe for an aggregate of 1,638,000,000 new shares at the subscription price of HK\$0.10 per subscription share. The subscription of shares was completed on 26 March 2013 and the gross cash proceeds of HK\$163,800,000 were received by the Company.

(ii) During the year ended 31 December 2013, the issued share capital of the Company was increased due to the exercise of share options by an employee of the Group. The shares issued during the year in relation to share options exercised have the same rights as other ordinary shares of the Company in issue.

17. CAPITAL COMMITMENT

As at 30 June 2014, the Group has the following capital commitments:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Contracted but not provided for		
– Establishment of a subsidiaries in the PRC	6,294	6,265
– Purchase of property, plant and equipment	–	1,144
– Research and development projects	37,060	18,064
	43,354	25,473

18. RELATED PARTY TRANSACTIONS

The directors represent the key management of the Group. During the period, the key management personnel compensations amounted to HK\$2,787,000 (six months ended 30 June 2013: HK\$2,806,000).

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

19. POST REPORTING DATE EVENT

On 28 August 2014, the Company informed the shareholders that a wholly-owned subsidiary of the Company entered into a conditional share transfer agreement with certain parties (the "Purchasers") in respect of the disposal of an aggregate of 75% equity interest in GBS by the Group to the Purchasers at the consideration and subject to and upon the terms and conditions contained in the share transfer agreement. The disposal contemplated under the share transfer agreement constitutes a very substantial disposal and a connected transaction for the Company under Chapters 14 and 14A of the Listing Rules. The Company is in the course of preparing and finalizing the announcement and the announcement is not yet published at the date of issuance of the interim financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The principal businesses of the Group during the Period included the environmental automobile and related business (comprising the automobile battery business and the environmental automobile business) and the natural resources business.

The Group's turnover and loss attributable to owners of the Company for the Period amounted to HK\$25.97 million (2013: HK\$24 million) and HK\$57.89 million (2013: HK\$48.66 million) respectively. The loss for the Period was mainly attributable to the general operating expenses.

The general operating expenses for the Period increased to HK\$63.94 million (2013: HK\$41.26 million) which consisted of, among others, research and development expenses of HK\$4.01 million (2013: HK\$0.94 million), depreciation expenses of HK\$2.49 million (2013: HK\$3.58 million), share-based compensation of HK\$1.63 million (2013: HK\$1.63 million) and overall employment expenses including salary expenses, retirement and pension contributions and staff benefit of HK\$25.1 million (2013: HK\$19.40 million).

(a) Environmental automobile and related business

Lithium-ion power Battery Business

During the Period, the Group engaged 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"). GBS was acquired by the Group in October 2010 pursuant to an acquisition agreement dated 18 April 2010 (as supplemented) (the "Acquisition Agreement"). For the Period, the turnover and the loss of this segment were approximately HK\$25.98 million and HK\$12.55 million as compared to the turnover of approximately HK\$24.04 million and the loss of approximately HK\$16.65 million in the same period of 2013. The impairment of goodwill for the business amounted to Nil (30 June 2013: HK\$9.6 million).

Since the first half of 2011, the operating environment of the business carried on by GBS has been testing and fallen short of the Group's expectation. This was due partly to the global economic downturn, and the situation was aggravated by the mounting auto incidents in the PRC and faulty electric vehicle batteries recalled by certain battery manufacturer which had raised safety concerns, cast doubts on the quality of lithium-ion battery and related products and shaken confidence of consumers and potential customers generally. Such prevailing operating conditions (which have been affected more by negative external factors as disclosed above and are beyond the control of the Group or the management of GBS) have caused the continuing loss in GBS's automobile battery business amidst uncertain prospect.

As the business of GBS has been under-performed over the years, the Board considers that the Group's environmental automobile and related business would be restrained unless and until there is innovative breakthrough in battery architecture and technology. Further, the Board considers that the resources of the Group should be best deployed and aligned with the overall and long-term goals of the Group. In this connection, the Board evaluated the business plans of the Company and considered that it would be strategically sound to explore the development of other lines of automobile battery and components-related business(es) or venture(s) with better prospects or higher growth potential and take steps to downsize its investment in GBS as and when the opportunities arise. As disclosed in the Company's announcement dated 28 August 2014, the Group had on 18 August 2014 entered into a share transfer agreement with certain parties (who/which are connected persons of the Company under the Listing Rules) (the "GBS Purchasers") pursuant to which the Group had conditionally agreed to dispose of an aggregate of 75% equity interest in GBS to the GBS Purchasers at the consideration and subject to and upon the terms and conditions contained in the share transfer agreement (the "GBS Equity Interest Disposal"). The GBS Equity Interest Disposal constitutes a very substantial disposal and a connected transaction for the Company under Chapters 14 and 14A of the Listing Rules. As at the date of this report, the announcement in respect of the GBS Equity Interest Disposal was being prepared by the Company in compliance with the requirements of the applicable Listing Rules and the Stock Exchange. The Company will issue the announcement as soon as practicable so as to provide more details of the GBS Equity Interest Disposal to its shareholders.

As disclosed in the Company's announcement dated 12 August 2014, the Group is exploring a potential strategic business venture with an independent third party in the research and development of LTO (lithium titanate) battery technology and its application and LTO-related business, the GBS Equity Interest Disposal would alleviate, to a certain extent, the potential business venture partner's concerns over possible competition issue. A LTO (lithium-titanate) battery is a modified lithium-ion battery that uses lithium-titanate nanocrystals on the surface of its anode instead of carbon. This gives the anode a surface area of about 100 square meters per gram, compared with 3 square meters per gram for carbon, allowing electrons to enter and leave the anode quickly. This makes fast recharging possible and provides high currents when needed. The LTO battery has the advantage of being faster to charge (as quick as 5 to 10 minutes) than other lithium-ion batteries, which is a perfect fit for electric bus application so that the electric bus can be fully charged during intervals between trips. In addition, LTO battery has longer life cycle (while a normal lithium-ion battery can only last 2000 cycles, a LTO battery can last as much as 25000 cycles) and can work under very severe weather conditions and has lower self-discharging rate than lithium-ion battery.

The Company will comply with the applicable requirements under the Listing Rules in respect of any future plans for the businesses carried on by, and business venture and/or assets proposed to be participated or acquired by, the Group as and when appropriate.

New Energy Project

During the Period, the Group had been engaging in the promotion and development of a new energy project (which involved the construction of production facilities for the production of key new energy automobile components including battery materials, super batteries, electric control systems and electrolyte for use in new energy automobiles) (the “New Energy Project”) through a project company (namely, 連雲港正道新能源有限公司 (Hybrid Kinetic (Lianyuangang) New Energy Limited, Inc.* (the “Project Company”)) established on 29 March 2013 and based in the 連雲港經濟技術開發區 (Lianyungang Economic and Technological Development Zone*) (“LETDZ”). The Project Company has an operating period of 20 years from the date of its establishment. As at 30 June 2014, the total investment amount of the Project Company was US\$81,000,000 (equivalent to approximately HK\$631,800,000). The total registered capital of the Project Company was US\$27,000,000 (equivalent to approximately HK\$210,600,000), which was or was to be contributed as to US\$21,000,000 (equivalent to approximately HK\$163,800,000) by the Group and as to US\$6,000,000 (equivalent to approximately HK\$46,800,000) by 江蘇新海連發展集團有限公司 (Jiangsu NewHeadLine Development Group Co., Ltd.*), representing approximately 77.78% and 22.22% of the total registered capital of the Project Company.

The New Energy Project is an important development in the LETDZ as it is expected to bring positive economic and social benefits to the LETDZ. The government officials of the LETDZ are enthusiastic and have been supportive to the Project Company in facilitating the development of the New Energy Project.

The Project Company has completed the construction of the production facilities with an area of approximately 5,300 square meters (comprising a production centre of approximately 3,300 square meters and the remaining area is allocated for office, a laboratory, an inspection centre and other uses). Subject to compliance with the environmental laws and regulations applicable to the New Energy Project, the Project Company is expected to commence trial or initial production in early 2015.

The turnover and loss of the Project Company consolidated into the Group’s financial statement during the Period amounted to HK\$Nil and HK\$1.91 million respectively.

Environmental Automobile Business

The Group is dedicated to improving environmental quality through the research and development (“R&D”) of environmental automobile. For the Period, this business segment recorded no turnover (2013: nil), and a loss of approximately HK\$7.43 million (2013: HK\$14 million). The loss was mainly attributable to operating expenses incurred during the Period.

With the recent announcement of the Chinese Government of its plans to (i) boost the use of fuel-efficient and new-energy vehicles among government agencies and public transport and domestic auto industry with the target of bringing the market share of energy saving products to over 50% by 2015 and (ii) offer subsidies for purchases of new-energy vehicle, the Board expects the development of environmental automobile could gain ground to take advantage of this favourable policy. Our R&D capability has enabled us to design and manufacture, on an original design manufacturer (ODM) basis, two prototype electric buses for public transport which are ready to be launched in the market. The Company received positive response from potential buyers after demonstrating the prototype buses at roadshows in certain cities in China. The Board expects that the Group will begin receiving orders for new hybrid buses in the second half of 2014.

(b) Natural resources business

The Group carries on its natural resources business through Jilin Shengshi Mining Ltd. (吉林晟世礦業有限公司) (“Jilin Shengshi”), a subsidiary of the Company. During the Period, this business segment recorded no turnover (2013: Nil), and a loss of HK\$4.93 million (2013: HK\$4.97 million) which was mainly attributable to operating expenses incurred during the Period.

The identification of natural resources is proving to be an undertaking that requires the conduct of exhaustive analysis, and has taken longer than anticipated. Further, natural resources requires the application of extensive amount of capital and human resources (mental and physical labor) to be exploited (extracted, processed, refined) for the realization of their economic value.

The development strategy for the Group’s natural resources business had been under constant review and evaluation by the Group. While the Group will try optimize the development potential of its natural resources business, the Group will continuously examine its business strategy and will not preclude the possibility of adapting its business plan for this line of business.

Prospects

Notwithstanding the unsatisfactory business performance of GBS due to the circumstances disclosed above, the Board remains optimistic that the automobile battery and component business (in particular, new energy automobile components) and the environmental automobile business present a wealth of attractive investment opportunities and are likely to flourish in the near future. The Board believes that new energy automobiles are still the major driver of the environmental automobile industry and will seek to gain strategic high ground in it.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the total equity of the Group amounted to approximately HK\$524.66 million (31 December 2013: HK\$641.29 million). The gearing ratio of the Group as at 30 June 2014 measured in terms of total liabilities divided by shareholders' equity was approximately 22.76% (31 December 2013: 31.27%). As at 30 June 2014, net current assets of the Group were approximately HK\$434.43 million (31 December 2013: HK\$555.96 million). The pledged bank deposits were approximately HK\$1.74 million (31 December 2013: HK\$0.81 million) while the cash and cash equivalents amounted to HK\$126.64 million (31 December 2013: HK\$147.99 million). The Group also had outstanding borrowings of approximately HK\$26.09 million (31 December 2013: HK\$7.82 million).

FUND RAISING ACTIVITIES AND USE OF PROCEEDS DURING THE PERIOD

On 8 May 2014, the Company allotted and issued an aggregate of 1,979,750,000 ordinary shares in the Company at HK\$0.10 each upon completion of the subscription transactions (the "Subscription") contemplated under 29 subscription related agreements all dated 17 April 2014 entered into by the Company with 29 subscribers with net proceeds of approximately HK\$197,475,000 raised from the Subscription. Please refer to the announcements dated 17 April and 8 May 2014 for details.

As of 30 June 2014, the Company utilized part of net proceeds in the amount of approximately HK\$42.5 million to fund the Group's general working capital. The application of such net proceeds was in line with the intended use of net proceeds as previously disclosed.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group had a total of 182 employees as at 30 June 2014 (31 December 2013: 191 employees). 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 long-term incentive for retaining them for their better commitment and the continued development of the Group.

PLEDGE OF ASSETS

As at 30 June 2014, the Group had pledged its bank deposits of HK\$1.74 million (31 December 2013: HK\$0.81 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. 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

There were no material acquisitions and disposals of the Group during the Period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2014, so far as is known to any director(s) or chief executive of the Company, the following parties (other than the directors or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name	Nature of interest	Number of Shares	Percentage
Sun East LLC	Beneficial owner (<i>Note 1</i>)	2,673,071,189	21.57%
Yeung Yung	Interest of controlled corporation (<i>Note 2</i>)	2,673,071,189	21.57%
	Beneficial owner (<i>Note 3</i>)	10,000,000	0.08%
		2,683,071,189	21.65%

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 2,673,071,189 Shares held by Sun East LLC under Part XV of the SFO.
2. These 2,673,071,189 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 12,390,909,756 Shares in issue as at 30 June 2014 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 2014, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers 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	2,673,071,189 (Note 2)	Controlled corporation	
	<u>10,000,000</u>	Beneficial owner	
	2,683,071,189 (Note 3)		21.57%
Liu Stephen Quan	281,760,000 (Note 4)	Founder of trust Interest of children under 18	2.27%
Zhu Shengliang	5,333,883	Beneficial owner	0.04%
Hui Wing Sang, Wilson	2,904,000	Beneficial owner	0.02%
Li Zhengshan	8,700,000	Beneficial owner	0.07%

Notes:

- (1) The percentage of shareholding is calculated on the basis of 12,390,909,756 Shares in issue as at 30 June 2014 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 by virtue of 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 were indirectly owned by certain trusts of which Mr Liu Stephen Quan were the founder. The children of Mr Liu were eligible beneficiaries of the trusts. Mr Liu was deemed to be interested in these Shares 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	
	6 September 2013	6 September 2013 to 5 September 2023	0.108	10,000,000	
				48,140,000	0.39%
Huang Chunhua	6 September 2013	6 September 2013 to 5 September 2023	0.108	65,000,000	0.52%
Jang Bor Zeng Bohr	4 December 2012	1 January 2015 to 3 December 2022	0.12	66,000,000	0.53%
Wang Chuantao	6 September 2013	6 September 2013 to 5 September 2023	0.108	30,000,000	0.24%
Liu Stephen Quan	6 September 2013	6 September 2013 to 5 September 2023	0.108	10,000,000	0.08%
Hui Wing Sang, Wilson	6 February 2008	6 February 2008 to 5 February 2018	0.114	27,000,000	
	6 September 2013	6 September 2013 to 5 September 2023	0.108	60,000,000	
				87,000,000	0.70%
Zhamu Aruna	4 December 2012	1 January 2015 to 3 December 2022	0.12	34,000,000	0.27%
Zhu Shengliang	9 August 2005	29 August 2005 to 8 August 2015	0.102	16,710,000	
	6 September 2013	6 September 2013 to 5 September 2023	0.108	20,000,000	
				36,710,000	0.30%

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	6 September 2013	6 September 2013 to 5 September 2023	0.108	30,000,000	0.24%
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	
	6 September 2013	6 September 2013 to 5 September 2023	0.108	25,000,000	
				35,570,000	0.29%
Xia TingKang, Tim	6 September 2013	6 September 2013 to 5 September 2023	0.108	10,000,000	0.08%
Song Jian	6 September 2013	6 September 2013 to 5 September 2023	0.108	10,000,000	0.08%
Zhu Guobin	6 September 2013	6 September 2013 to 5 September 2023	0.108	10,000,000	0.08%
Li Jianyong	6 September 2013	6 September 2013 to 5 September 2023	0.108	10,000,000	0.08%

Note:

The percentage of shareholding is calculated on the basis of 12,390,909,756 Shares in issue as at 30 June 2014.

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 2014.

SHARE OPTION SCHEME

The Company adopted a new share option scheme on 13 June 2013 (the “Scheme”) pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 13 June 2013.

The following share options were outstanding during the period from 1 January to 30 June 2014 (the “Period”):

Name/ Category of Participant	As at 1 January 2014	Reclassification during the Period	Share Options Granted	Share options lapsed/ cancelled during the Period	Share Options Exercised	As at 30 June 2014	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>
	10,000,000	–	–	–	–	10,000,000	<i>Note 4</i>	<i>Note 4</i>	<i>Note 4</i>
Huang Chunhua	65,000,000	–	–	–	–	65,000,000	<i>Note 4</i>	<i>Note 4</i>	<i>Note 4</i>
Jang Bor Zeng Bohr	66,000,000	–	–	–	–	66,000,000	<i>Note 3</i>	<i>Note 3</i>	<i>Note 3</i>
Wang Chuantao	30,000,000	–	–	–	–	30,000,000	<i>Note 4</i>	<i>Note 4</i>	<i>Note 4</i>
Liu Stephen Quan	10,000,000	–	–	–	–	10,000,000	<i>Note 4</i>	<i>Note 4</i>	<i>Note 4</i>
Hui Wing Sang, Wilson	27,000,000	–	–	–	–	27,000,000	<i>Note 2</i>	<i>Note 2</i>	<i>Note 2</i>
	60,000,000	–	–	–	–	60,000,000	<i>Note 4</i>	<i>Note 4</i>	<i>Note 4</i>
Zhamu Aruna	34,000,000	–	–	–	–	34,000,000	<i>Note 3</i>	<i>Note 3</i>	<i>Note 3</i>
Zhu Shengliang	16,710,000	–	–	–	–	16,710,000	<i>Note 1</i>	<i>Note 1</i>	<i>Note 1</i>
	20,000,000	–	–	–	–	20,000,000	<i>Note 4</i>	<i>Note 4</i>	<i>Note 4</i>
Xu Jianguo	30,000,000	–	–	–	–	30,000,000	<i>Note 4</i>	<i>Note 4</i>	<i>Note 4</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>
	25,000,000	–	–	–	–	25,000,000	<i>Note 4</i>	<i>Note 4</i>	<i>Note 4</i>
Xia Tingkang, Tim	10,000,000	–	–	–	–	10,000,000	<i>Note 4</i>	<i>Note 4</i>	<i>Note 4</i>
Zhu Guobin	10,000,000	–	–	–	–	10,000,000	<i>Note 4</i>	<i>Note 4</i>	<i>Note 4</i>
Song Jian	10,000,000	–	–	–	–	10,000,000	<i>Note 4</i>	<i>Note 4</i>	<i>Note 4</i>
Li Jianyong	10,000,000	–	–	–	–	10,000,000	<i>Note 4</i>	<i>Note 4</i>	<i>Note 4</i>
Sub Total:	482,420,000	–	–	–	–	482,420,000			

Name/ Category of Participant	As at 1 January 2014	Reclassification during the Period	Share Options Granted	Share options lapsed/ cancelled/ during the Period	Share Options Exercised	As at 30 June 2014	Date of Grant	Exercise Price	Exercise Period
Employee (in aggregate)	15,250,000	-	-	-	-	15,250,000	<i>Note 1</i>	<i>Note 1</i>	<i>Note 1</i>
	31,400,000	-	-	-	-	31,400,000	<i>Note 2</i>	<i>Note 2</i>	<i>Note 2</i>
	325,000,000	-	-	-	-	325,000,000	<i>Note 4</i>	<i>Note 4</i>	<i>Note 4</i>
Sub Total:	371,650,000	-	-	-	-	371,650,000			
Other eligible persons: (in aggregate)	15,000,000	-	-	-	-	15,000,000	<i>Note 2</i>	<i>Note 2</i>	<i>Note 2</i>
	423,000,000	-	-	-	-	423,000,000	<i>Note 4</i>	<i>Note 4</i>	<i>Note 4</i>
Sub Total:	438,000,000	-	-	-	-	438,000,000			
Total:	1,292,070,000	-	-	-	-	1,292,070,000			

Notes:

1. 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.
2. 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.
3. These share options were granted on 4 December 2012 and are exercisable at a subscription price of HK\$0.12 per share at any time during the period of 8 years from 1 January 2015 to 3 December 2022.
4. These share options were granted on 6 September 2013 and are exercisable at a subscription price of HK\$0.108 per share at any time during the period of 10 years from 6 September 2013 to 5 September 2023.

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 applied the principles and complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to 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 the 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, 29 August 2014

* For identification purposes only