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HYBRID KINETIC GROUP LIMITED

正道集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1188)

**ANNUAL RESULTS ANNOUNCEMENT 2024
AND
CONTINUED SUSPENSION OF TRADING**

The board of directors (the “**Board**” or the “**Directors**”) of Hybrid Kinetic Group Limited (the “**Company**”) would like to announce the audited consolidated financial results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2024 (the “**Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

		2024	2023
	Notes	HK\$'000	HK\$'000
Revenue	4	–	–
Cost of sales		<u>–</u>	<u>–</u>
Gross profit		–	–
Other income	5	27	885
Administrative expenses		(13,825)	(22,354)
Loss on disposal of subsidiaries		<u>–</u>	<u>(427)</u>
Loss from operations		(13,798)	(21,896)
Finance costs	7	<u>(15)</u>	<u>(74)</u>
Loss before tax		(13,813)	(21,970)
Income tax expense	8	<u>–</u>	<u>–</u>
Loss for the year	9	<u>(13,813)</u>	<u>(21,970)</u>
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations – Group		<u>1,956</u>	<u>670</u>
Other comprehensive income for the year		<u>1,956</u>	<u>670</u>
Total comprehensive loss for the year		<u><u>(11,857)</u></u>	<u><u>(21,300)</u></u>

		2024	2023
	Notes	HK\$'000	HK\$'000
Loss for the year attributable to:			
Owners of the Company		(13,725)	(21,909)
Non-controlling interests		<u>(88)</u>	<u>(61)</u>
		<u>(13,813)</u>	<u>(21,970)</u>
Total comprehensive loss for the year attributable to:			
Owners of the Company		(11,726)	(21,190)
Non-controlling interests		<u>(131)</u>	<u>(110)</u>
		<u>(11,857)</u>	<u>(21,300)</u>
Loss per share			
Basic (<i>cents per share</i>)	11	<u>(0.07)</u>	<u>(0.11)</u>
Diluted (<i>cents per share</i>)		<u>(0.07)</u>	<u>(0.11)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Property, plant and equipment		–	315
Equity investments at fair value through other comprehensive income	12	–	–
Right-of-use assets		–	–
		<u>–</u>	<u>315</u>
Current assets			
Other receivables	13	143	2,638
Bank and cash balances		202	874
		<u>345</u>	<u>3,512</u>
Current liabilities			
Trade and other payables	14	112,006	102,718
Loan from a shareholder	15	101,014	101,084
Lease liabilities		–	843
		<u>213,020</u>	<u>204,645</u>
Net current liabilities		<u>(212,675)</u>	<u>(201,133)</u>
NET LIABILITIES		<u><u>(212,675)</u></u>	<u><u>(200,818)</u></u>
Capital and reserves			
Share capital		2,035,287	2,035,287
Reserves		(2,249,200)	(2,237,474)
Equity attributable to owners of the Company		(213,913)	(202,187)
Non-controlling interests		1,238	1,369
TOTAL EQUITY		<u><u>(212,675)</u></u>	<u><u>(200,818)</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL INFORMATION

Hybrid Kinetic Group Limited was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The address of its principal place of business is 21/F, Grand Millennium Plaza, 181 Queen's Road Central, Sheung Wan, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (together referred to as the "**Group**") were development of high-tech electric motor vehicles, development and sales of battery management systems and spare parts and development of advanced batteries materials.

2. GOING CONCERN BASIS

The Group incurred a loss of approximately HK\$13,813,000 for the year ended 31 December 2024 and as at 31 December 2024 the Group had net current liabilities of approximately HK\$212,675,000 and net liabilities of approximately HK\$212,675,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon i) financial support from a shareholder; ii) the completion of the subscription of new shares in the Company for the Group; and iii) the completion of the subscription of convertible bonds to be issued by the Company under the general mandate, at a level sufficient to finance the working capital requirements of the Group. The shareholder has agreed to provide adequate funds and the respective subscribers had conditionally agreed to subscribe for new shares and convertible bonds in the Company for the Group to meet its liabilities as they fall due. The directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of those new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. REVENUE

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

	2024 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Sales and service income of battery management systems and spare parts	<u> — </u>	<u> — </u>

Disaggregation of revenue from contracts with customers:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Geographical markets		
The People's Republic of China (the "PRC")	—	—
Major products/service		
Sales and service income of battery management systems and spare parts	—	—
Timing of revenue recognition		
At a point in time	—	—

Sales and service income of battery management systems and spare parts

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

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

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

5. OTHER INCOME

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest income	–	5
Government grants	25	–
Reversal of allowance for trade and other receivables	–	875
Others	2	5
	<u>27</u>	<u>885</u>

6. SEGMENT INFORMATION

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

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

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

	High-tech electric motor vehicles <i>HK\$'000</i>	Battery management systems and spare parts <i>HK\$'000</i>	Advanced batteries materials <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2024:				
Revenue	–	–	–	–
Segment loss	(3,209)	(1,444)	(222)	(4,875)
Depreciation	–	–	–	–
Other material non-cash items:				
Additions to segment non-current assets	–	–	–	–
At 31 December 2024:				
Segment assets	278	4	5	287
Segment liabilities	<u>10,920</u>	<u>5,821</u>	<u>1</u>	<u>16,742</u>
Year ended 31 December 2023:				
Revenue	–	–	–	–
Segment loss	(4,001)	(271)	(154)	(4,426)
Depreciation	–	–	–	–
Other material non-cash items:				
Additions to segment non-current assets	–	–	–	–
At 31 December 2023:				
Segment assets	269	1,229	87	1,585
Segment liabilities	<u>6,865</u>	<u>5,494</u>	<u>1</u>	<u>12,360</u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue:		
Total revenue of reportable segments and consolidated revenue	<u><u>–</u></u>	<u><u>–</u></u>
Profit or loss:		
Total loss of reportable segments	(4,875)	(4,426)
Corporate and unallocated profit or loss	<u>(8,938)</u>	<u>(17,544)</u>
Consolidated loss for the year	<u><u>(13,813)</u></u>	<u><u>(21,970)</u></u>
Assets:		
Total assets of reportable segments	287	1,585
Corporate and unallocated assets:		
– Equity investments at fair value through other comprehensive income	–	–
– Bank and cash balances held by the Group's headquarters	14	113
– Others	<u>44</u>	<u>2,129</u>
Consolidated total assets	<u><u>345</u></u>	<u><u>3,827</u></u>
Liabilities:		
Total liabilities of reportable segments	16,742	12,360
Corporate and unallocated liabilities		
– Others	<u>196,278</u>	<u>192,285</u>
Consolidated total liabilities	<u><u>213,020</u></u>	<u><u>204,645</u></u>

Geographical information:

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

Revenue from major customers:

No revenue from customers individually contributed more than 10% of the total consolidated revenue of the Group for the year (2023: nil).

	2024 HK\$'000	2023 HK\$'000
Non-current assets (other than financial assets):		
Hong Kong and others	<u>–</u>	<u>315</u>

7. FINANCE COSTS

	2024 HK\$'000	2023 HK\$'000
Lease interests	<u>15</u>	<u>74</u>

8. INCOME TAX EXPENSE

	2024 HK\$'000	2023 HK\$'000
Current tax		
– PRC Enterprise Income Tax		
Provision for the year	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>

No provision for Hong Kong Profits Tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong (2023: nil).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

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

	2024 HK\$'000	2023 HK\$'000
Loss before tax	<u>(13,813)</u>	<u>(21,970)</u>
Tax on loss before income tax, calculated at the rates applicable to profit/loss in the tax jurisdictions concerned	(2,781)	(3,636)
Tax effect of non-taxable income	–	(1)
Tax effect of non-deductible expenses	<u>2,781</u>	<u>3,637</u>
Income tax expense for the year	<u><u>–</u></u>	<u><u>–</u></u>

9. LOSS FOR THE YEAR

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

	2024 HK\$'000	2023 HK\$'000
Auditor's remuneration	1,200	1,300
Depreciation of property, plant and equipment	108	108
Loss on disposal of subsidiaries	–	427
Reversal of impairment losses of trade and other receivables	–	(875)
Net exchange loss	50	16
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	6,369	12,817
– Retirement benefits scheme contributions	209	340
	<u><u>6,578</u></u>	<u><u>13,157</u></u>

10. DIVIDENDS

The directors do not recommend or declare the payment of any dividend in respect of the years ended 31 December 2024 and 2023.

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for year attributable to owners of the Company of approximately HK\$13,725,000 (2023: HK\$21,909,000) and the weighted average number of 20,352,873,000 (2023: 20,352,873,000) ordinary shares in issue during the year.

(b) Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2024 and 2023.

12. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 HK\$'000	2023 HK\$'000
Unlisted equity securities		
吉林美來中信木業有限公司	<u> — </u>	<u> — </u>

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

During the year ended 31 December 2016, the Group entered into an agreement with an independent third party to acquire the equity interest in Jilin Meilai at a consideration of RMB60,000,000. Jilin Meilai is incorporated in the PRC and is an unlisted limited liability company established in the PRC under the PRC Law, which does not have quoted market price in an active market. The Group intends to hold the investment for long-term capital appreciation and has no intention to dispose of the investment in the near future. As at 31 December 2024, the Group holds 5% (2023: 5%) equity interest in Jilin Meilai.

13. OTHER RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Prepayment to a supplier	332,641	332,641
Prepayments to others	4,537	4,817
Deposits and other receivables	<u>108,660</u>	<u>111,628</u>
	445,838	449,086
<i>Less: impairment losses</i>	<u>(445,695)</u>	<u>(446,448)</u>
	<u><u>143</u></u>	<u><u>2,638</u></u>

Impairment of other receivables

Reconciliation of loss allowance for other receivables:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
At beginning of the year	(446,448)	(446,546)
Impairment on other receivables	–	–
Currency realignment	<u>753</u>	<u>98</u>
	<u><u>(445,695)</u></u>	<u><u>(446,448)</u></u>

The management of the Company monitored the collectability of these receivables closely with reference to their respective current creditworthiness and repayment records. As at 31 December 2024, all these receivables were neither past due nor impaired. The management believes that no impairment allowance is necessary in respect of these receivables as they are considered fully recoverable.

14. TRADE AND OTHER PAYABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	5,234	5,412
Amount due to a former director	2,071	780
Accruals and other payables	<u>104,701</u>	<u>96,526</u>
	<u>112,006</u>	<u>102,718</u>

Trade payables

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Over 360 days	<u>5,234</u>	<u>5,412</u>

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

15. LOAN FROM A SHAREHOLDER

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

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent auditor’s report from ZHONGHUI ANDA CPA Limited, the external auditor of the Company, on the Group’s consolidated financial statements for the year ended 31 December 2024.

Basis for Disclaimer of Opinion

Scope Limitation Related to Going Concern

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately HK\$13,813,000 for the year ended 31 December 2024 and as at 31 December 2024 the Group had net current liabilities of approximately HK\$212,675,000 and net liabilities of approximately HK\$212,675,000. These conditions indicate a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon i) financial support from a shareholder; ii) the completion of the subscription of new shares in the Company for the Group; and iii) the completion of the subscription of convertible bonds to be issued by the Company under the general mandate for the Group to meet its liabilities as they fall due. The consolidated financial statements do not include any adjustments that would result from the failure to obtain the financial support. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements.

However, we were unable to obtain sufficient and appropriate audit evidence to satisfy ourselves as to i) the validity of the financial support from a shareholder, there was no information available from management that we considered sufficiently reliable that enables us to assess the financial position of the shareholder and to evaluate whether the shareholder has sufficient financial viability to provide the aforesaid financial support to the Group; ii) the completion of the subscription of new shares in the Company, there was no information available from management that we considered sufficiently reliable to enable us to assess the status and the likelihood of a successful completion of the subscription of new shares in the Company; and iii) the completion of the subscription of convertible bonds to be issued by the Company under the general mandate, there was no information available from management that we considered sufficiently reliable to enable us to assess the status and the likelihood of a successful completion of the subscription of convertible bonds. In view of the above scope limitation, there are no other satisfactory audit procedures that we could adopt to determine whether the shareholder and the subscribers have the financial ability to honour the financial support to the Group. We disclaim our opinion in respect of the appropriateness of the use of going concern basis of accounting to prepare the consolidated financial statements relating to the going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The Group has been engaging in the development of electric vehicles for over a decade. The Group has established a team of experts with extensive experience and expertise in a wide variety of applications in the automobile industry, which forms part of our core strengths in the development of, among other things, advanced and high quality batteries, battery management systems and related technologies.

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

In the 2024, the uncertain macroeconomic environment and the generally cautious and conservative market sentiment continued to adversely affect the progress of the Group's development of electric vehicles, and significantly hindered the negotiation progress with potential business partners or investors.

As a result of these challenges, coupled with the uncertainties in the global economy, the business development of the Group had been significantly disrupted during the Year. Consequently, the Group did not record any revenue and gross profit for the Year.

The Group implemented effective and strict cost control policies, the operating expenses for the Year decreased to approximately HK\$13.8 million (2023: HK\$22.4 million), which consisted of employee benefit expenses (including wages and salaries, pension costs and other benefits) of approximately HK\$6.6 million (2023: HK\$13.2 million).

As a result of the above factors, the loss for the Year of the Group decreased to approximately HK\$13.8 million (2023: HK\$22.0 million) and the loss attributable to shareholders for the Year amounted to approximately HK\$13.7 million (2023: HK\$21.9 million).

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

FINANCIAL REVIEW

The Group's revenue and gross profit for the Year amounted to approximately HK\$Nil (2023: HK\$Nil) and HK\$Nil (2023: HK\$Nil). The loss attributable to shareholders for the Year amounted to approximately HK\$13.7 million (2023: HK\$21.9 million). The loss for the Year was mainly attributable to the administrative expenses of approximately HK\$13.8 million (2023: HK\$22.4 million).

The administrative expenses for the Year decreased to approximately HK\$13.8 million (2023: HK\$22.4 million) which was mainly attributed to the decrease in employee benefit expenses (including wages and salaries, pension costs and other benefits) from approximately HK\$13.2 million for the year ended 31 December 2023 to HK\$6.6 million for the Year.

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

Directors' position on the scope limitation related to going concern

The Directors consider that the Company have provided all available audit evidence to the Auditor and have confidence in the shareholder's continued commitment and support towards the Group as had been demonstrated in the past, and believe that the shareholder is ready, willing and able to offer such other assistance (financial or otherwise) to the Group to enhance its financial flexibility and capability as and when the circumstances arise.

Further, the Directors have been proactively exploring (i) all possible financial alternatives (including but not limited to equity financing, debt financing, rights issue, open offer or bank borrowings); (ii) collaborations with potential business partners and investors to develop the business of the Group. These collaborations may take the form of joint venture(s) or other forms of alliance with potential business partners and investors to invest in, develop or diversify the businesses of the Group in which (a) the Group may contribute its expertise and intangible assets (such as intellectual property rights owned by the Group) and (b) the potential business partners or investors may inject working capital to allow each party to fully leverage on each other's capabilities.

During the Year, the Company had identified a number of potential business partners or investors (including governmental authorities in the PRC, manufacturers in the automobile industry and institutional investors) which had expressed interest in collaborating with or investment in the Group. However, the outbreak of the COVID-19 pandemic had significantly hindered the negotiation progress and negatively affected the sentiment of such potential business partners or investors, which had generally adopted a more prudent approach, in vigorously pursuing such possible new business ventures or investment during the Year.

Nevertheless, with the continued support from the shareholder, together with the unwavering efforts and commitment of the Company's management in seeking potential collaborations and investment opportunities for the Group with a view to improving the liquidity, operation and performance of the Group in the long run, the Directors believe that the Company will manage to have sufficient working capital for the operation and development of the Group's business so that the disclaimer of opinion in relation to the scope limitation related to going concern will not be carried forward to the Group's financial statements for the year ending 31 December 2025.

The Company will make further announcement(s) on any potential fund raising, collaboration and/or investment opportunities and comply with the applicable requirements of the Listing Rules as and when appropriate.

Audit Committee's view on the disclaimer opinion

The Audit Committee has reviewed and agreed with the Director's position and is of the view that the Board should continue its efforts to enhance the Group's liquidity position and to remove the disclaimer opinion in the next financial year.

PROSPECT AND BUSINESS DEVELOPMENT OF THE GROUP

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

In-vehicle audio-visual and short drama business

The Group has the intention to launch into the in-vehicle audio-visual and short drama business in 2025. The growing number of vehicles, especially new energy ones, is boosting demand for in-car entertainment. At the same time, digital media growth is driving demand for short drama content. Consumers now expect higher quality and more diverse content in both areas, creating a broad market opportunity. The active automotive market and digital media progress further enhance the potential for stable growth in these businesses.

The Board sees potential in integrating in-vehicle audio-visual and short drama content into a business model, especially in the era of smart vehicles. Short dramas are one of the most promising content areas today. By entering this business, the Group can use its high-tech strengths to expand its business scope and diversify revenue sources.

The Group is currently preparing for the launch of this new business. If launched, it will leverage its technological advantages to enter the fast-growing market and achieve its expansion goals.

Development of electric vehicles

The Group is engaged in development of electric motor vehicle for over a decade.

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

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

Upon gradual recovery of the impact of COVID-19 in the PRC and in the event the financing opportunities materialise, the Group may commence its development plan for industrialisation, including but not limited to (i) renovation of the existing facilities for assembly area; (ii) procurement and fine-tuning of robotic arms for production; (iii) optimisation of manufacturing process and engineering parts of the components; and (iv) obtaining the relevant permissions and registration in mass production of electric vehicles in the PRC.

However, the uncertainty of the global economic situation, trade frictions, and exchange rate fluctuations continue to affect its development plan. The Group will actively explore financing opportunities and commence its development plan as soon as possible.

Proposed acquisition

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

On 28 August 2022, the Company entered into a sale and purchase agreement for a proposed acquisition of the entire equity interest of Best Knob International Limited together with its subsidiaries, (the “**Target Group**”) (the “**Acquisition**”), which are principally engaged in manufacturing of automobile parts, including transmission gearbox, systems and accessories. Details of the Acquisition are disclosed in the announcements of the Company dated 17 October 2022, 8 March 2023, 31 August 2023, 30 November 2023 and 1 February 2024. As at the date of this announcement, the Acquisition is yet to be completed.

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

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

Financing opportunities

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

In particular, the Company entered into a subscription agreement for the Subscription in May 2023 as further set out in the section headed "Fund Raising Activities During the Year" below in this announcement.

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

MATERIAL ACQUISITION OR DISPOSAL

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

On 28 August 2022, the Company entered into a sale and purchase agreement to acquire the entire equity interest of Best Knob International Limited, a company incorporated in Hong Kong with limited liability, at a consideration of HK\$392 million, which will be settled by the issuance of promissory notes in the principal amount of HK\$392 million. As at the date of this announcement, the Acquisition is yet to be completed, further announcements on the progress of the Acquisition will be made by the Company as and when appropriate.

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

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

FUND RAISING ACTIVITIES DURING THE YEAR

On 29 May 2023, the Company and Mr. Zhou Zuan (the “**Subscriber**”) , a third party independent of the Company and its connected persons, entered into the subscription agreement (the “**Subscription Agreement**”), pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the 2-year convertible bond (the “**Convertible Bond**”) in the principal amount of HK\$100,000,000 with 5% interest per annum to be issued by the Company and subscribed by the Subscriber, which may be converted into a total of 1,000,000,000 new ordinary shares of the Company of HK\$0.10 each (the “**Conversion Shares**”) to be allotted and issued by the Company pursuant to the exercise of the conversion right attached to the Convertible Bond at the initial conversion price of HK\$0.10 per Conversion Share, subject to the adjustment pursuant to the terms and conditions of the Convertible Bond (the “**Subscription**”). The initial Conversion Price per Conversion Share represents a premium of approximately 244.8% over the closing price of HK\$0.029 per share of the Company as quoted on the Stock Exchange on the date of the Subscription Agreement. The net Conversion Price, after deduction of relevant expenses, is approximately HK\$0.0995 per Conversion Share.

On 28 August 2022, the Company entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to acquire the entire equity interest of Best Knob International Limited, a company incorporated in Hong Kong with limited liability, at a consideration of HK\$392 million which shall be settled by the issuance of promissory notes by the Company. Pursuant to the Supplemental Agreement, the consideration in respect of the Acquisition shall be revised as HK\$228.0 million. For details of the Acquisition, please refer to the announcements of the Company dated 17 October 2022, 8 March 2023, 31 August 2023 and 1 February 2024. As at the date of this announcement, the Acquisition is yet to be completed.

The net proceeds from the Subscription shall amount to approximately HK\$99.5 million. The Company intends to apply (i) 50% of the net proceeds for the settlement of the promissory notes to be issued by the Company under the Acquisition; (ii) 30% of the net proceeds as to working capital of the Company for business development; and (iii) 20% of the net proceeds as to general working capital of the Company. Details of the Subscription are disclosed in the announcements of the Company dated 29 May 2023, 14 June 2023, 3 July 2023, 31 August 2023, 31 December 2023, 23 May 2024 and 30 September 2024. As at the date of this announcement, the Subscription is yet to be completed.

Save for the above, the Company had not undertaken any fund raising activity and there were no other transactions in the securities of the Company or of its subsidiaries during the Year.

CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any material contingent liabilities.

SIGNIFICANT INVESTMENTS

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

As at the date of this announcement, save as disclosed elsewhere in this announcement, the Group does not have any plan for significant investment or capital assets for the year ending 31 December 2024.

IMPORTANT EVENTS AFTER REPORTING PERIOD

Save for the (i) appointment of Ms. Hou Bosson Ying, as the executive Director, as announced by the Company on 20 December 2024 and resignation of the executive Director, as announced by the Company on 19 March 2025; (ii) resignation of Mr. On Ka Shing, as the independent non-executive Director, as announced by the Company on 17 February 2025; (iii) appointment of Mr. Shan Chuanlong, as the executive Director and authorized representative of the Company, as announced by the Company on 18 March 2025; (iv) appointment of Mr. Kong Fan, as the executive Director, as announced by the Company on 18 March 2025 and appointment of Mr. Kong Fan, as authorised representative of the Company, as announced by the Company on 20 March 2025; (v) appointment of Mr. Ruan Jian, as the non-executive Director, as announced by the Company on 18 March 2025; (vi) appointment of Mr. Zheng Yu, as the non-executive Director, as announced by the Company on 18 March 2025; (vii) appointment of Ms. Chen Li, as the company secretary and chief financial officer of the Company, as announced by the Company on 18 March 2025; (viii) resignation of Mr. Liu Stephen Quan, as the executive Director, as announced by the Company on 19 March 2025; (ix) resignation of Dr. Xia Ting kang, Tim, as the non-executive Director, as announced by the Company on 19 March 2025; (x) resignation of Dr. Zhu Guobin, as the independent non-executive Director, as announced by the Company on 19 March 2025; (xi) resignation of Dr. Li Jianyong, the independent non-executive Director, as announced by the Company on 19 March 2025; (xii) appointment and resignation of Ms. Tang Po Yi, as the independent non-executive Director, as announced by the Company on 19 March 2025 and 14 May 2025 respectively; (xiii) resignation of Dr. Yeung Yung, as the executive Director, as announced by the Company on 24 March 2025; (xiv) resignation of Mr. Chen Xiao, as the executive Director, as announced by the Company on 24 March 2025; (xv) appointment of Ms. Pan Hong, as the independent non-executive Director, as announced by the Company on 14 May 2025; (xvi) appointment of Mr. Wu Wenchang and Mr. Yuen Wai Keung, as the independent non-executive Directors, as announced by the Company on 29 May 2025; there are no other important events affecting the Group which have occurred since the end of the Year up to the date of this announcement.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividends by the Company for the year ended 31 December 2024 (2023: Nil).

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

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

LIQUIDITY AND FINANCIAL RESOURCES, CAPITAL STRUCTURE AND TREASURY POLICY

As at 31 December 2024, the total deficiency in equity of the Group amounted to approximately HK\$212.7 million (31 December 2023: HK\$200.8 million).

The gearing ratio of the Group as at 31 December 2024 measured in terms of total liabilities divided by shareholders' equity was approximately 100.2% (31 December 2023: 101.9%).

As at 31 December 2024, the net current liabilities of the Group were approximately HK\$212.7 million (31 December 2023: HK\$201.1 million). The cash and cash equivalents amounted to HK\$0.2 million (31 December 2023: HK\$0.8 million). The Group has an outstanding shareholder's loan of HK\$101.0 million (31 December 2023: HK\$101.1 million), which is unsecured, interest-free and repayable on demand.

As at 31 December 2024, no borrowing was made by the Group.

The Group adopts a conservative and balanced treasury policy in cash and financial management. The Group's cash is generally placed as deposits mostly denominated in Hong Kong dollars or Renminbi. To manage liquidity risk, the Group regularly reviews liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

PLEDGE OF THE GROUP'S ASSETS

As at 31 December 2024, none of the assets of the Group had been pledged (31 December 2023: Nil) to the Group's bankers to secure general banking facilities granted to the Group or otherwise.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

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

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group had a total of approximately 22 employees as at 31 December 2024 (31 December 2023: 55 employees). It has been the Group's policy to ensure that the remuneration levels of the Directors and its employees are reviewed and rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Share options (Following the expiry of Share Option Scheme on 21 June 2023, no Share Option maybe or has been granted thereunder.) may also be granted to the Directors and employees of the Group to attract, retain and incentivise them to work and make contribution towards the long term growth and development of the Group. During the Year, staff costs (including Director's remuneration) was approximately HK\$6.6 million (31 December 2023: approximately HK\$13.2 million).

OTHER INFORMATION

Update on the legal proceedings against members of the Group

Legal dispute with XALT

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

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

While it is not entirely within the control of the Company as to whether or when the legal dispute or civil lawsuit against the Group will be resolved or concluded, the Group will continue to make efforts to, among other things, (i) seek professional advice to explore possibilities of recovering any of the Prepayment; and (ii) proactively approach the new management of XALT to re-activate the negotiations so as to seek a mutually acceptable solution to resolve the dispute and the lawsuit amicably and more expeditiously, seek professional advice on the Group’s strategies over the resolution of the dispute to safeguard the interests of the Group.

As at the date of this announcement, the Group is still in the process of exploring the possibilities of recovering the Prepayment. The Company will make further announcement(s) to keep its shareholders informed of any material development as and when appropriate.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to ensure better transparency and protection of the overall interests of the Company and its shareholders and to enhance corporate value and accountability. The Company wishes to highlight that the Board will continue to devote efforts in ensuring effective leadership and control of the Company and the transparency and accountability of all operations. Throughout the Year, the Company had applied the principles and complied with the code provisions set out in Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

The Company had met the relevant code provisions set out in the Code during the Year, except the following deviations:

Code Provision C.1.6 of part 2 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr On Ka Shing, the former independent non-executive Director, attended the annual general meeting of the Company held on 6 June 2024. All the other Directors were unable to attend the annual general meeting of the Company held on 6 June 2024 due to other prior commitment(s).

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. However, the chief executive officer of the Company has been vacant following the resignation of Mr. Feng Rui on 5 March 2024. Until the appointment of new chief executive officer, the executive Directors continue to oversee the day-to-day management of the business and operations of the Group.

NON-COMPLIANCE WITH THE LISTING RULES

Following the resignation of Mr. On Ka Shing on 17 February 2025, Dr. Zhu Guobin and Dr. Li Jianyong on 19 March 2025, the Company is not in compliance with among others, the requirement that (i) the Board must include at least three independent non-executive Directors; (ii) the audit committee of the Company must comprise a minimum of three members, and (iii) the composition of the remuneration committee of the Company (the “**Remuneration Committee**”) is below the requirement under Rule 3.25 of the Listing Rules, which stipulates the Remuneration Committee must be chaired by an independent non-executive director and must comprise a majority of independent non-executive directors. Following the appointment of Ms. Pan Hong on 14 May 2025 and the appointment of Mr. Wu Wenchang and Mr. Yuen Wai Keung on 29 May 2025, the Company re-complied with the requirements as above under the Listing Rules.

Following the resignation of Mr. Lee Cheung Yuet Horace and Ms. Lam Wing Tung as the Joint Company Secretary on 9 April 2024, the Company shall have no company secretary of the Company, and will not be able to meet the requirement under Rule 3.28 of the Listing Rules. The Company is still in the process of identifying a suitable candidate as soon as practicable in accordance with the requirements of the Listing Rules to ensure compliance by the Company with Rule 3.28 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the “**Model Code**”) on terms no less exacting than the required standard set out in the Model Code as its own code of conduct regarding securities transactions by Directors. All Directors, after specific enquiries by the Company, confirmed to the Company their compliance with the required standard set out in the Model Code throughout the Year.

SCOPE OF WORK OF THE AUDITOR ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2024 as set out in this preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this preliminary announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 25 July 2025 to Wednesday, 30 July 2025 (both days inclusive) for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting (the "AGM") of the Company to be held on Wednesday, 30 July 2025. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Thursday, 24 July 2025.

PUBLICATION OF 2024 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The Company's annual report for the Year containing the information required by the Listing Rules will be made available to the Company's shareholders in due course.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2025.

Trading in the shares of the Company will continue to be suspended until further notice.

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

By Order of the Board
HYBRID KINETIC GROUP LIMITED
Shan Chuanlong
Chairman

Hong Kong, 30 May 2025

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Shan Chuanlong (Chairman) and Mr. Kong Fan, two non-executive Directors, namely Mr. Ruan Jian and Mr. Zheng Yu, three independent non-executive Director, namely Ms. Pan Hong, Mr. Wu Wenchang and Mr. Yuen Wai Keung.