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If you have sold or transferred all your shares in **Hybrid Kinetic Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)

**VERY SUBSTANTIAL ACQUISITION
PROPOSED INVESTMENT IN UQM TECHNOLOGIES, INC.
THROUGH SUBSCRIPTION OF NEW SHARES OF
UQM COMMON STOCK
AND
NOTICE OF SPECIAL GENERAL MEETING**

Financial Adviser to the Company



All capitalized terms used in this circular have the meanings ascribed to them in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 7 to 26 of this circular. A notice convening the Special General Meeting to be held at Suite 1410, 14th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Monday, 12 December 2016 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular.

A form of proxy for use at the Special General Meeting is enclosed with this circular. Whether or not you are able to attend the Special General Meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the Special General Meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or any adjourned meeting thereof should you so wish.

23 November 2016

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcements”	the announcements of the Company dated 30 June 2016 and 27 September 2016 in relation to the proposed investment in UQM through the Subscription and the contemplated arrangements and transactions
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (except Saturday, Sunday or any other day on which commercial banks located in New York City or Hong Kong are authorized or required by Law to be closed for business)
“CFIUS”	the Committee on Foreign Investment in the US
“Closing”	the closing of the Subscription together with the arrangements and transactions contemplated under the SPA
“Company”	Hybrid Kinetic Group Limited (正道集團有限公司), an exempted company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Conditions”	the conditions precedent to the Closing as summarized in the paragraph headed “ <i>Conditions precedent to the Closing</i> ” in this circular
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“End Date”	being 180 days after the date of the SPA (as may be extended by mutual consent of the parties to the SPA)
“Enlarged Group”	the company and its subsidiaries immediately after the Closing

DEFINITIONS

“Exchange Price”	the price (between US\$0.60 and US\$0.72) by which the amount paid by the Subscriber to UQM as Deposit (that is, US\$3,000,000) under the SPA can be exchanged for or converted into one UQM Convertible Share)
“Group”	the Company and its subsidiaries, and following completion of the Subscription, the Company and its subsidiaries (including UQM and its subsidiaries)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who is/are independent of, and is/are not connected with, the Company, its subsidiaries and their respective connected persons
“Issuer”	UQM, being the issuer of the Subscription Shares under the SPA
“Latest Practicable Date”	16 November 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Law”	any statute, law, ordinance, regulation, rule, code, order, constitution, treaty, common law, judgment, decree, other requirement or rule of law
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Material Adverse Effect”	any event, occurrence, fact, condition or change that is materially adverse to (a) the business, results of operations, financial condition, assets and liabilities, or prospects of UQM, or (b) the ability of UQM to consummate the transactions contemplated under the SPA (other than as contemplated or expressly excluded in the SPA), which shall not include such event, occurrence, fact, condition or change, directly or indirectly, arising out of or attributable to (i) general economic or political conditions; (ii) conditions generally affecting the industries in which UQM operates (provided that such conditions do not affect UQM to a materially greater extent than other persons or entities in such industry); (iii) any changes in financial, banking or securities markets in general, including any disruption thereof and any decline in the price of any security or any market index or any change in prevailing interest rates; (iv) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof; (v) any action required or permitted by the SPA or any action taken (or omitted to be taken) with the written consent of or at the written request of the Subscriber; (vi) any changes in applicable Laws or accounting rules (including US generally accepted accounting principles in effect from time to time); (vii) the announcement, pendency or completion of the transactions contemplated by the SPA, including losses or threatened losses of employees, customers, suppliers, distributors or others having relationships with UQM; (viii) any natural or man-made disaster or acts of God; (ix) any failure by UQM to meet any internal or published projections, forecasts or revenue or earnings predictions (provided that the underlying causes of such failures (subject to the other provisions of this definition) shall not be excluded)
“NYSE MKT”	NYSE MKT LLC
“percentage ratios”	the applicable percentage ratios under Rule 14.07 of the Listing Rules
“PRC”	The People’s Republic of China, excluding for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Registration Rights Agreement”	the registration rights agreement to be executed by UQM and the Subscriber to provide for certain rights and obligations of the Subscriber (as holder of the Subscription Shares or, as the case may be, the UQM Conversion Shares) and UQM
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the Company
“Shareholder(s)”	holder(s) of Shares
“SPA”	the stock issuance and purchase agreement dated as of 28 June 2016 (as amended and restated by an amended and restated stock issuance and purchase agreement dated as of 26 September 2016) entered into between UQM and the Subscriber regarding the proposed investment in UQM through the Subscription
“Special General Meeting”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the proposed investment in UQM through the Subscription together with the arrangements and transactions contemplated under the SPA
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	American Compass, Inc. (a wholly-owned subsidiary of the Company in the US), being the subscriber under the SPA
“Subscription”	the subscription of the Subscriber of the Subscription Shares from UQM as contemplated under the SPA
“Subscription Price”	the subscription price for the Subscription Shares (being US\$47,880,000 (equivalent to approximately HK\$373,464,000) for the 66,500,000 Subscription Shares, which is equal to US\$0.72 (equivalent to approximately HK\$5.616) per Subscription Share

DEFINITIONS

“Subscription Share(s)”	the new shares of UQM Common Stock conditionally agree to be issued by UQM and subscribed for by the Company (through the Subscriber) subject to and upon the terms and conditions contained in the SPA (being an aggregate of 66,500,000 new shares of UQM Common Stock) and each a “ Subscription Share ”
“Superior Proposal”	a bona fide written takeover proposal involving the direct or indirect acquisition pursuant to a tender offer, exchange offer, merger, consolidation or other business combination, of all or substantially all of the UQM’s consolidated assets or a majority of the outstanding UQM Common Stock, that the UQM Board determines in good faith (after consultation with outside legal counsel and UQM’s financial advisor) is more favourable from a financial point of view to the UQM Shareholders than the Subscription contemplated under the SPA, taking into account various factors as stated in the SPA
“UQM”	UQM Technologies, Inc., a Colorado corporation, whose issued shares of common stock are listed for trading on the NYSE MKT
“UQM Acquisition Agreement”	any agreement in principle, letter of intent, term sheet, acquisition agreement, merger agreement, option agreement, joint venture agreement, partnership agreement or other contract relating to any takeover proposal relating to UQM
“UQM Board”	the board of directors of UQM
“UQM Common Stock”	the share(s) of UQM common stock (with a par value of US\$0.01 per share)
“UQM Conversion Share(s)”	the new share(s) of UQM Common Stock which, upon certain conditions, may be derived from dividing the deposit paid by the Subscriber under the SPA by the Exchange Price in the event of termination of the SPA
“UQM Group”	UQM and its subsidiaries
“UQM Shareholder(s)”	the holder(s) of the shares of the UQM Common Stock

DEFINITIONS

“UQM Shareholder Approval”	the approval by UQM Shareholders necessary for effectuating the Subscription and the arrangements and transactions contemplated under the SPA (including (i) the amendment to the articles of association of UQM to increase the authorised number of shares of UQM Common Stock by 100,000,000 shares to permit the issuance of the Subscription Shares; and (ii) the change in control of UQM that will result from the Subscription)
“US” or “United States”	the United States of America
“US Securities Act”	US Securities Act of 1933, as amended
“VWAP Price”	the volume weighed average of the closing per share market price of the UQM Common Stock, as reported on the NYSE MKT, for the 90-day period immediately preceding the date of the termination of the SPA
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

Unless otherwise stated, the conversion of US\$ to HK\$ are based on the exchange rate of US\$1.00 = HK\$7.80. No presentation is made that any amounts in US\$ and HK\$ have been or could be converted at the relevant dates at the above rate or any other rates or at all.

LETTER FROM THE BOARD



HYBRID KINETIC GROUP LIMITED

正道集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1188)

Executive Directors:

Dr Yeung Yung (*Chairman*)
Mr Xu Jianguo (*Chief Executive Officer*)
Mr Hui Wing Sang, Wilson (*Deputy Chairman*)
Dr Huang Chunhua (*Deputy Chairman*)
Dr Wang Chuantao (*Deputy Chairman*)
Mr Liu Stephen Quan
Dr Zhu Shengliang
Mr Li Zhengshan
Mr Ting Kwok Kit, Johnny
Mr Chen Xiao

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

*Head office and principal place of business
in Hong Kong:*

Suites 1407-8, 14th Floor
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

Non-executive Director:

Dr Xia Tingkan, Tim

Independent non-executive Directors:

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

23 November 2016

To the Shareholders

Dear Sir or Madam

**VERY SUBSTANTIAL ACQUISITION
PROPOSED INVESTMENT IN UQM TECHNOLOGIES, INC.
THROUGH SUBSCRIPTION OF NEW SHARES OF
UQM COMMON STOCK**

INTRODUCTION

Reference is made to the Announcements.

LETTER FROM THE BOARD

On 28 June 2016 (US time), the Company (through its wholly-owned subsidiary) entered into the SPA with UQM in relation to its proposed investment in UQM by way of the Subscription, subject to and upon the principal terms and conditions disclosed below.

As one or more of the applicable percentage ratios in respect of the proposed investment in UQM through the Subscription as calculated under Rule 14.07 of the Listing Rules exceeds 100%, the proposed investment in UQM as contemplated under the SPA constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is, accordingly, subject to the approval of the Shareholders at the Special General Meeting.

The purpose of this circular is to provide Shareholders with, among other matters, further details of the proposed investment in UQM through the Subscription and the contemplated arrangements and transactions, the financial information of the Group, the accountants' report of the UQM Group, the unaudited pro forma financial information of the Enlarged Group together with other information as required under the Listing Rules, and to give notice of the Special General Meeting to the Shareholders.

STOCK ISSUANCE AND PURCHASE AGREEMENT

Date

28 June 2016 (as amended and restated by an amended and restated stock issuance and purchase agreement dated as of 26 September 2016)

Parties involved

Issuer : UQM Technologies, Inc.

Subscriber : American Compass, Inc.

UQM is a company incorporated in Colorado, the US. The issued shares of UQM common stock (with a par value of US\$0.01 per share) are listed for trading on the NYSE MKT. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, UQM and its ultimate beneficial owners are third parties independent of, and not connected with, the Company and any of its connected persons.

The Subscriber is a company incorporated in California, the US and a wholly owned subsidiary of the Company.

Subscription Shares

Pursuant to the SPA, the Subscriber has conditionally agreed to subscribe for, and UQM has conditionally agreed to allot and issue, the Subscription Shares.

LETTER FROM THE BOARD

Assuming that there was no change in the shareholding structure of UQM from the date of the SPA to immediately before the date of the Closing, the Subscription Shares represent approximately 54% of the issued shares of UQM Common Stock on a fully-diluted basis.

As advised by the US legal counsel to the Company, there is no obligation to offer to buy the stock of the other shareholders of UQM based upon the Group's purchase of the UQM Shares from UQM pursuant to the SPA.

Subscription Price

The total Subscription Price for the Subscription Shares is US\$47,880,000 (equivalent to approximately HK\$373,464,000), representing US\$0.72 (equivalent to approximately HK\$5.616) per Subscription Share.

The Subscription Price will be payable by the Subscriber in the following manner:

- (a) US\$3,000,000 (equivalent to approximately HK\$23,400,000) (the "Deposit"), as deposit which had been paid to an independent escrow agent, US Bank, National Association, and held in an escrow account as agreed by UQM and the Subscriber prior to the signing of the SPA.

The escrow agent was founded in 1863 and is a large, publicly traded multi-national bank with over US\$42 billion. It is owned by US Bancorp. The escrow agent has a special division to deal with escrow accounts. The escrow agreement provides the specific very conservation investments for the escrow funds. It is highly unlikely there would be any misuse, but if there was, the escrow agent has the assets to stand behind any claim.

Any interest earned on the Deposit will be the property of the Subscriber and be returned to the Subscriber at the Closing or (as the case may be) the termination of the SPA.

The Deposit will be applied towards partial payment of the Subscription Price for the Subscription Shares at the Closing.

- (b) US\$44,880,000 (equivalent to approximately HK\$350,064,000) as balance of the Subscription Price at the Closing.

The Subscription Price of US\$0.72 per Subscription Share represents a 6.4% premium over the average volume weighted trading price of the UQM Common Stock as reported on the NYSE MKT over the last 90 trading days ending on the date prior to the date of the SPA.

LETTER FROM THE BOARD

The Subscription Price of US\$0.72 per Subscription Share also represents:

- (i) a premium of approximately 16.1% over the closing price of the UQM Common Stock of US\$0.62 per share as reported on the NYSE MKT on 28 June 2016 (US time), being the date of the SPA;
- (ii) a premium of approximately 46.9% over the closing price of the UQM Common Stock of US\$0.49 per share as reported on the NYSE MKT on the Latest Practicable Date; and
- (iii) a premium of approximately 60.0% over the net asset value per share of UQM Common Stock of approximately US\$0.45 as at 31 March 2016 (calculated based on the UQM's audited consolidated net asset value of approximately US\$21,711,738 as at 31 March 2016 and 48,534,719 shares of UQM Common Stock in issue as at the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between UQM and the Subscriber with reference to the recent market price of the UQM Common Stock and having considered (i) the UQM Group has developed high quality of propulsion motors and generators for vehicles with advanced technology and has assembled a management team with critical experience in automotive and electric propulsion market so as to provide the Group with a readily accessible platform in the US to further expand its electric motor vehicle business as illustrated under the section headed "REASONS FOR THE PROPOSED INVESTMENT IN UQM"; (ii) the long-term growth potential of the UQM Group provides an attractive investment opportunity for the Group; and (iii) the premium for control of UQM following the Closing, the Board is of the view that the Subscription Price is fair and reasonable.

The Subscription Price for the Subscription Shares, which is payable in cash, will be funded from the Company's internal resources.

Ranking of the Subscription Shares

The Subscription Shares will, upon their allotment and issue, rank equally among themselves and with all other shares of UQM Common Stock in issue.

LETTER FROM THE BOARD

Disposal and lock-up restriction

Except as required under the applicable US Laws (or in case of, among others, an underwritten public offering of issued shares of UQM Common Stock pursuant to an effective registration statement under the US Securities Act whereby neither UQM nor the Subscriber representative who is a director or executive officer of UQM shall effect any public sale or distribution of issued shares of UQM Common Stock during the period beginning 14 days prior to the anticipated pricing of the offering until 180 days following the pricing of the offering as set out in the Registration Rights Agreement), the Subscription Shares or (as the case may be, the UQM Conversion Shares disclosed below) are not subject to any lock-up or other disposal restrictions which are particularly restrictive, onerous, unusual, unfavourable or prejudicial to the interests of the Subscriber under the terms of the SPA.

Conditions precedent to the Closing

Closing of the Subscription contemplated under the SPA is conditional upon, among others, the following major Conditions being fulfilled (or waived by the Subscriber or, as the case may be, UQM as stated below) by the Longstop Date:

- (a) the UQM Shareholder Approval in respect of (i) the amendment to the articles of association of UQM to increase the authorized number of shares of UQM Common Stock by 100,000,000 shares to cater for the issuance of the Subscription Shares and amend other provisions thereof; and (ii) pursuant to the rules of NYSE MKT, the change in control of UQM that will result from the Subscription having been obtained by UQM;
- (b) all consents, permissions, authorizations and approval (including the approval from the Shareholders at the Special General Meeting), the Stock Exchange and/or under the Listing Rules necessary for the compliance with the applicable laws, rules and regulations and giving effect to the transactions and arrangements contemplated under the SPA having been obtained by the Subscriber;
- (c) UQM and the Subscriber having received all necessary consents, authorizations, orders and approvals from the relevant governmental authorities (including the approval by the Committee on Foreign Investment (CFIUS) in the US) in connection with the execution and delivery of the SPA and the consummation of the transactions contemplated under the SPA and no such consent, authorization, order and approval shall have been revoked;
- (d) the board of UQM having adopted the amendment to UQM's articles of incorporation to decrease the shareholder vote required to approve future amendments to the articles of incorporation and certain corporate transactions from two-thirds of the outstanding UQM shares to a majority of the outstanding UQM shares;

LETTER FROM THE BOARD

- (e) no suit, action or other proceeding shall be pending before any governmental authority in which it sought to restrain or prohibit the transactions contemplated by the SPA or that could reasonably be expected to have a Material Adverse Effect. No governmental authority shall have enacted, issued, promulgated, enforced or entered any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any governmental authority which is in effect and has the effect of making the transactions contemplated by the SPA illegal, otherwise restraining or prohibiting consummation of such transactions or causing any of the transactions contemplated under the SPA to be rescinded following completion of the SPA;
- (f) the representations and warranties of UQM contained in the SPA shall be true and correct in all respects as of the date of the Closing with the same effect as though made at and as of such date, except where the failure of such representations and warranties to be true and correct would not, individually or in the aggregate, have or reasonably be expected to have a Material Adverse Effect;
- (g) UQM shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by the SPA to be performed and complied with by it prior to or on the date of Closing;
- (h) the issued shares of UQM Common Stock remaining listed for trading on the NYSE MKT at all times from the date of the SPA and up to the date of fulfillment or waiver of the last in time to be fulfilled of the Conditions (other than this Condition (g)), save for:
 - (i) any suspension(s) not exceeding 15 trading days of the NYSE MKT in aggregate in the 12 months preceding the date of the SPA for whatever cause; or
 - (ii) any suspension in connection with the clearance of any public announcements or circulars in connection with the SPA or the transactions contemplated under the SPA; and
 - (iii) no written notification being received on or before the date of fulfillment or waiver of the last in time to be fulfilled on the Conditions (other than this Condition (g)) from NYSE MKT to the effect that the trading of the shares of UQM Common Stock will or may be withdrawn or objected to as a result of the Closing or in connection with the terms of the SPA;
- (i) the representations and warranties of the Subscriber contained in the SPA shall be true and correct in all respects as of the date of the Closing with the same effect as though made at and as of such date, except where the failure of such representations and warranties to be true and correct would not, individually or in the aggregate, have or reasonably be expected to have a Material Adverse Effect on the Subscriber's ability to consummate the transactions contemplated by the SPA; and

LETTER FROM THE BOARD

- (j) the Subscriber shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by the SPA to be performed and complied with by it prior to or on the date of Closing.

Except for the above Conditions (a), (b), (c) and (e) which cannot be waived by any party to the SPA, the above Conditions (d), (f), (g) and (h) may be waived by the Subscriber while the above conditions (i) and (j) may be waived by UQM.

If the Conditions are not fulfilled or (as applicable) waived by the End Date, the SPA will cease to be of any effect save for any antecedent breach.

At as the Latest Practicable Date, none of the Conditions had been satisfied.

Closing

Closing of the Subscription contemplated under the SPA will take place within two Business Days after the last of the Conditions having been satisfied or (as applicable) waived (or such other date as the parties to the SPA may mutually agree).

Immediately after the Closing, the Company (through the Subscriber) will become the controlling shareholder of UQM. UQM will become a non-wholly-owned subsidiary of the Company and the financial results of UQM will be consolidated into the accounts of the Group.

Treatment of the Deposit upon termination of the SPA

In the event of the termination of the SPA, the Deposit will, for certain reasons or (as the case may be) upon certain conditions, be (i) paid to UQM, (ii) returned to the Subscriber, or (iii) converted into UQM Conversion Shares pursuant to the terms of the SPA.

Generally, the Deposit will be paid to UQM if the SPA is terminated by UQM because of a material breach by the Subscriber of its representations, warranties or covenants contained in the SPA.

If the parties to the SPA mutually determine to terminate the SPA (notwithstanding any receipt of the UQM Shareholder Approval), the parties will determine whether the Deposit is to be returned to the Subscriber or retained by UQM in exchange for the issuance of the UQM Conversion Shares. The number of UQM Conversion Shares that may be allotted and issued by UQM is equal to the amount of the Deposit divided by the Exchange Price.

LETTER FROM THE BOARD

Unless UQM decides otherwise and barring any unforeseen circumstances, it is the present intention of the Group to utilise the Deposit to exchange for the issuance of the UQM Conversion Shares in case the SPA is terminated by mutual agreement. The Group places high value towards the technological expertise of the UQM Group in its development of propulsion, motor, controller and other automobile systems for electric, hybrid electric and fuel cell electric vehicles and maintaining a relationship with the UQM Group (being an established player in the US automobile and related industry), which are the capabilities that the Group may leverage on in the development of its own electric motor vehicles business.

As the amount of the Deposit paid pursuant to the terms of the SPA does not exceed 8% of the total assets of the Company as defined under Rule 13.13 of the Listing Rules, it does not constitute an advance to an entity and the disclosure obligation under the applicable Listing Rules is not applicable to the Company.

The Exchange Price for the UQM Conversion Shares is:

- (i) US\$0.60 per share of UQM Common Stock, if the VWAP Price is equal to or less than US\$0.60 per share, and
- (ii) the VWAP Price per share of UQM Common Stock, if the VWAP Price is greater than US\$0.60 per share and less than US\$0.72 per share; or
- (iii) US\$0.72 per share of UQM Common Stock, if the VWAP Price is equal to or greater than US\$0.72,

in each case as adjusted for any stock split, stock reverse split, stock dividend, or similar transactions that took place between the date of the SPA and the date of its termination.

Similarly, the Deposit will be retained by UQM in exchange for issuance of UQM Conversion Shares at the Exercise Price under the following circumstances as specified in the SPA:

- if the SPA is terminated by UQM in the event that approval from CFIUS for the Subscription has not been received on or prior to the End Date and all other Conditions that are expressed in the SPA to be the obligations of all parties to the SPA and UQM have been satisfied or duly waived;

LETTER FROM THE BOARD

- if the SPA is terminated by UQM in the event that notification is required to be filed pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (as amended) and the waiting period with respect to such notification has not expired or early termination for such waiting period has not been received by the End Date and all other Conditions that are expressed in the SPA to be the obligations of all parties to the SPA and UQM have been satisfied or duly waived;

As advised by the US Counsel to the Company, Hart-Scott-Rodino Antitrust Improvements Act of 1976 (as amended) does not apply to the transaction contemplated under the SPA because the transaction does not meet the value threshold of approximately US\$75 million. This Act only applies to transactions of a certain size.

The issuance of the UQM Conversion Shares is required to be effected no later than five Business Days following the date of termination of the SPA.

The Deposit is considered as an upfront payment to demonstrate the sincerity and dedication of the Group to invest into the UQM Group after taking into account such investment could provide immediate working capital for the UQM Group for its business operations in the US and to expedite its expansion into the China market. With an option of converting the Deposit into the UQM Conversion Shares, the Directors consider that it represents a strategic investment opportunity to acquire an equity stake in UQM which will increase the value of the Shareholders in the long run.

The exchange will result in the allotment and issue of a minimum of 4,166,666 UQM Conversion Shares and a maximum of 5,000,000 UQM Conversion Shares to the Subscriber, representing approximately 7% and 8% respectively of the issued shares of UQM Common Stock on a fully-diluted basis.

The Deposit will be returned to the Subscriber if the SPA is terminated because of a material breach by UQM of its representations, warranties or covenants, because of a failure to obtain the approval of the Shareholders or if UQM terminates the SPA to accept a Superior Proposal.

There is no specific definition of what constitutes a “material breach”. A material breach is generally one that materially affects the business or assets being acquired. It is clearly material if a breach has the result of impacting value by 10% or more. However, it can still be a lower percentage and be material. Further, there are non-monetary breaches that can be considered material, such as the failure to attempt to obtain a governmental approval. Those must be important to the transaction contemplated under the SPA. If the parties to the SPA cannot agree on whether or not a breach is material, then they may litigate the matter and the funds would remain in escrow until decided by an independent third party judge or the parties to the SPA come to an agreement.

LETTER FROM THE BOARD

It is agreed by the parties to the SPA that any and all liability of the Subscriber (other than fraud and willful misconduct on the part of the Subscriber or any of its representatives) in connection with any breach (actual or alleged) of any representation, warranty, covenant or agreement under the SPA will terminate upon the return, exchange or payment of the Deposit to UQM and UQM will waive any claim it may have against the Subscriber with such breach.

In the event that the SPA is terminated by the Subscriber as a result of certain events specified in the SPA (including but not limited to any recommendation of the UQM Board in a manner adverse to the Subscriber; the entering into by UQM of an UQM Acquisition Agreement in respect of a bona fide takeover proposal relating to UQM; or there shall have been a breach of any representation, warranty, covenant or agreement on the part of UQM set out in the SPA, which breach will give rise to the failure of a Condition to the Closing required to be fulfilled on the part of the Subscriber, and such breach is not cured by UQM within 20 days following receipt of a written notice of such breach from the Subscriber or is not reasonably capable of being satisfied or on or prior to the End Date or a takeover proposal having been publicly announced or otherwise communicated to UQM prior to, or within six months of, such termination), then UQM is required to pay to the Subscriber an amount in cash equal to US\$3,000,000 (equivalent to approximately HK\$23,400,000) as termination fee pursuant to the terms of the SPA.

Proxy arrangement of the Subscriber after Closing

Simultaneously with the Closing, the Subscriber will grant an irrevocable proxy to Dr Yeung Yung (who is the chairman of the Board and one of the executive Directors) to irrevocably appointing Dr Yeung Yung as the Subscriber's representative to exercise in his absolute discretion all voting rights attaching to the Subscription Shares or exercisable by the Subscriber after the Closing in its capacity as a shareholder of UQM.

INFORMATION ON UQM

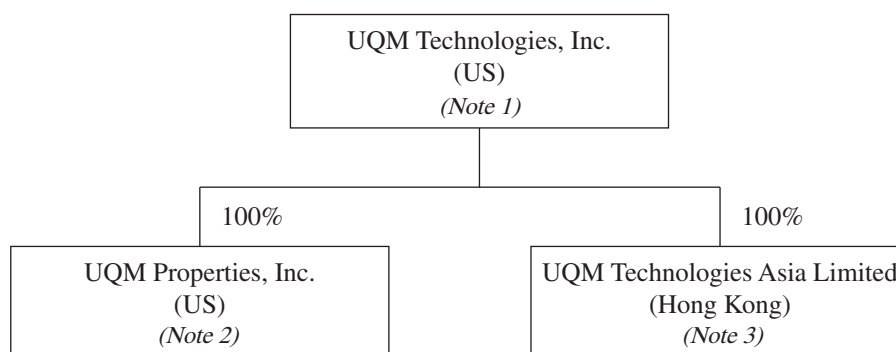
UQM was founded in 1967 and has its headquarters at Longmont, the state of Colorado of the US. It is listed on the NYSE MKT (NYSE: UQM) or its predecessor exchange (American Stock Exchange) continuously since 21 May 1993. Its principal business is to develop, manufacture and sell power-dense, high-efficiency electric motors, generators, power electronic controllers and fuel cell compressors for the commercial truck, bus, automotive, marine, military and industrial markets. UQM has a primary focus to incorporate its advanced technology as propulsion systems for electric, hybrid electric, plug-in hybrid electric and fuel cell electric vehicles, delivering the heart of the electric vehicle.

UQM Properties, Inc., a Colorado corporation, is a real estate holding company of UQM and owns the real estate in Longmont, Colorado, the US on which UQM operates.

LETTER FROM THE BOARD

UQM Technologies Asia Limited, a limited liability incorporated in Hong Kong in October 2016, is formed by UQM as its vehicle for carrying on commercial activities for the UQM Group in Asia (including the PRC).

The group structure of the UQM Group and the principal business activities of each of its members as at the Latest Practicable Date are set out below.



Notes:

1. The primary operations of the UQM Group (including product manufacturing and sales, technology research and development) are conducted through UQM Technologies, Inc.
2. UQM Properties, Inc. owns the manufacturing plant and other real property for use by UQM Technologies, Inc.
3. UQM Technologies Asia Limited was recently formed to carry on commercial activities for the UQM Group in Asia, but its operations have not started yet.

The revenue and costs from the manufacture and sales of motors and related components by the UQM Group is captured in UQM, being the parent corporation of the UQM Group.

LETTER FROM THE BOARD

The UQM Group is focused primarily on the transportation markets, with a strong emphasis on the commercial truck and bus space, followed by automotive and then marine and other. The UQM Group has developed two basic frame size propulsion systems, namely the PowerPhase[®] Pro for passenger car, light commercial applications, light duty marine and other lighter duty applications, and the PowerPhase[®] HD lineup of products for heavier commercial bus and truck application, heavier duty marine and other heavier duty applications. The UQM Group also utilizes these products, customized versions of these products and all new custom solutions in these markets to meet various customer requirements. For the fiscal years ended 31 March 2014, 31 March 2015 and 31 March 2016, the UQM Group has recognized aggregate revenue of approximately US\$2.34 million, US\$1.09 million and US\$2.20 million respectively from the sales of its PowerPhase[®] Pro and PowerPhase[®] HD products. The UQM Group provides motor and controller systems for full-electric, hybrid electric, plug-in hybrid and fuel cell applications. Furthermore, the UQM Group provides units for non-automotive markets including the energy management market, auxiliary systems and motor and controller systems for aircraft and manufactures fuel cell compressor for hydrogen powered fuel cell vehicles.

The UQM Group also conducts funded contract research and development services performed for strategic partners, customers and various governmental agencies directed towards either the advancement of its existing proprietary technology portfolio or the application of its proprietary technology to customers' products. For example, it has recently been conducting funded research on advanced motor design technology that eliminates the need for rare-earth elements in the magnets.

The UQM Group manufactures its various products from its single manufacturing facility, which is located in Colorado, the US. Some of the components used by UQM in its products are manufactured to its specifications by third party vendors.

The UQM Group sells its products through its internal sales team to end-use customers (such as operators of electric vehicle fleets) as well as to original equipment manufacturers (OEMs) for inclusion in their automotive and other products to be sold to the ultimate end-user. UQM Group's sales force has developed long-term relationships and is in regular contact with existing and potential customers to generate sales.

As at the Latest Practicable Date, the authorized capital stock of UQM consists of 75,000,000 shares of UQM Common Stock, of which 48,534,719 shares are issued and outstanding. No shares were held in treasury or owned by the subsidiary of UQM, 5,489,733 shares are reserved under UQM's outstanding warrants, 3,079,670 shares are reserved for issuance upon exercise of UQM's outstanding stock options granted to UQM employees and directors under the UQM's benefit plans, and a total of 469,790 shares are reserved for future grants under the UQM's benefit plans and 188,394 shares under UQM's employee stock purchase plan. There are no other shares of UQM Common Stock issued and outstanding or reserved for issuance and there are no other securities convertible into shares of UQM Common Stock.

LETTER FROM THE BOARD

Subject to the UQM Shareholder Approval, the authorized number of shares of UQM Common Stock will be increased by 100,000,000 shares which will be an amount sufficient to permit the issuance of the Subscription Shares (being 66,500,000 new shares of UQM Common Stock) subscribed for by the Subscriber under the SPA.

A summary of the audited financial results of UQM for the two financial years ended 31 March 2015 and 2016 prepared in conformity with US generally accepted accounting principles is set out below:

	For the year ended 31 March	
	2015	2016
Revenue	US\$4,015,744 (HK\$31,322,803)	US\$5,306,799 (HK\$41,393,032)
Loss before other income	US\$6,859,891 (HK\$53,507,150)	US\$6,976,527 (HK\$54,416,911)
Net loss (both before and after tax) attributable to owners of UQM	US\$5,988,530 (HK\$46,710,534)	US\$6,938,351 (HK\$54,119,138)

The audited consolidated net assets of UQM as at 31 March 2016 amounted to approximately US\$21,711,738 (equivalent to approximately HK\$169,351,556).

CHANGE OF COMPOSITION OF THE UQM BOARD

As at the Latest Practicable Date, the UQM Board comprised five members.

Pursuant to the terms of the SPA, the size of the UQM Board immediately after the Closing will be increased to nine members, comprising (i) five members nominated by the Subscriber (one of whom will serve as the chairman of the UQM Board), (ii) UQM's chief executive officer and (iii) three of UQM's four current independent directors.

Subject to the Closing, the five members currently proposed to be nominated by the Subscriber will be (1) Mr Xu Jianguo, the chief executive officer of the Group and an executive Director, (2) Dr Huang Chunhua, the deputy chairman of the Group and an executive Director, (3) Mr Enrico Vassallo, the chief executive officer of HK eBus Company Limited, a wholly-owned subsidiary of the Company, (4) Dr Hou Junwen, the vice-president of the Company; and (5) Mr Ting Kwok Kit, Johnny, an executive Director, the chief financial officer and the company secretary of the Company.

LETTER FROM THE BOARD

All of the five nominees of the Subscriber have the necessary expertise, operational credibility and ample experience in the businesses currently operated by the UQM Group. Please refer to Appendix V to this circular for the biographical details and management expertise of the Subscriber's nominees to the UQM Board. Further, the majority of them have substantial management presence in the US. These are instrumental to the effective and efficient management of the businesses of the UQM Group.

The Group has no intention to terminate any employment of the employees of the UQM Group (including but not limited to the senior and core management of the UQM Group, its operating, technical and other supporting staff) or make significant changes to any employment or to dispose of or re-allocate the UQM Group's assets.

In addition to retaining the senior and core management of the UQM Group in its business operation, the Group intends to leverage on the expertise of UQM to build up its capability of electric powertrain. After the Closing, UQM will involve the Group's vehicle development business and supply electric powertrain for the Group's products. The above initial measures for the smooth assimilation and the new composition of the UQM Board are expected to bring along operational stability, new perspectives, new ideas and new opportunities for the sustainable growth and development of the UQM Group.

REASONS FOR THE PROPOSED INVESTMENT IN UQM

The Company is an investment holding company. The Group is principally engaged in the environmental automobile and related business.

The Group is optimistic about its extension of business scale to cover the electric motor vehicle markets outside the PRC. The Group has been seeking suitable investment opportunity, in particular, the exploration and development of electric automobile business, which is a sunrise business, and preserve maximum Shareholders' value over the longer term.

UQM has developed the world's leading electric propulsion systems and has a team of talented people with ample experience in the automotive and related industry in the US.

The Directors consider that the proposed investment in UQM through the Subscription and the resulting strategic alliance would:

- provide the Group with a readily accessible platform in the US, allow the Group to gain a foothold and accelerate the growth of its environmental automobile and related business in the US;
- allow each of them to retain its own identity while sharing resources to support each other's growth in China, US and gradually the global market place;

LETTER FROM THE BOARD

- maximize synergies through their complementary strengths in research and development, procurement, product line-up, styling, technical/managerial expertise and marketing which would result in cost minimization, profit maximization, greater global market penetration and other benefits through the strategic alliance.

The Directors believe that the proposed investment through the Subscription will not only provide a reasonable investment opportunity for the Company but also allow the Group to achieve a higher level of vertical integration of its electric motor vehicles business and explore other cooperation opportunities with UQM and other business opportunities in the US.

Broadly speaking, both the Group and the UQM Group are engaged in the automobile and related industry but in different geographical locations. The Directors are of the views that, in order to expand the Group's geographical market coverage (in the present case, the US market) and to achieve an inter-complementary approach, the Group must be strategically positioned to achieve a higher level of, and be able to leverage on, self-sufficiency and vertical integration, and maintain a strong relationship with established players in different sectors of the automobile and related in industry.

The Subscription, if materialised, would allow the Group to gain a foothold in the environmental automobile and related business and provides the Group with a readily accessible platform in the US. The vertically integrated capability of UQM (from design, development, manufacture and sale which brings upstream and downstream assets under unified control) and the inter-complementary advantage between the Group and the UQM Group that the Subscription may bring to each other are expected to set the Group as well as the UQM Group further apart from our competitors.

The UQM Group has nevertheless reported net loss from operations for the last three financial years which was mainly attributable to the significant expenditures in the research and development of electric motors and generators, the Subscription will have a positive impact on the Group's net assets. Moreover, the UQM Group has developed a proprietary system that is suited for a wide-range of vehicle electrification applications, which is intended to be used to expand its manufacturing, marketing and sales capacity into the China market. It is essential for the UQM Group to seek strategic partners and establish an Asia-based manufacturing facility to support and access to the China electric vehicle market. Following the Subscription, the UQM Group will have sufficient financial resources for the anticipated capital expenditures, and the Group can assist it in building sustainable business relationships with the targeted customers in China. The Directors are optimistic that the UQM Group will generate positive operating cash flow in the long run.

LETTER FROM THE BOARD

In view of the growing popularity of “green energy” initiatives and the positive outlook of the electric vehicle market particularly in China, the Board is optimistic about the business prospects of the UQM Group, and the Subscription would provide the Group with an opportunity to participate in the upside of successful expansion into China and other growth opportunities of the UQM Group, which is in the interests of the Company and the Shareholders as a whole.

The Directors consider that the terms of the Subscription and the transactions contemplated under the SPA are fair and reasonable and the proposed investment in UQM through the Subscription is in the interests of the Company and the Shareholders as a whole.

FUTURE INTENTION OF THE GROUP REGARDING THE UQM GROUP FOLLOWING THE SUBSCRIPTION

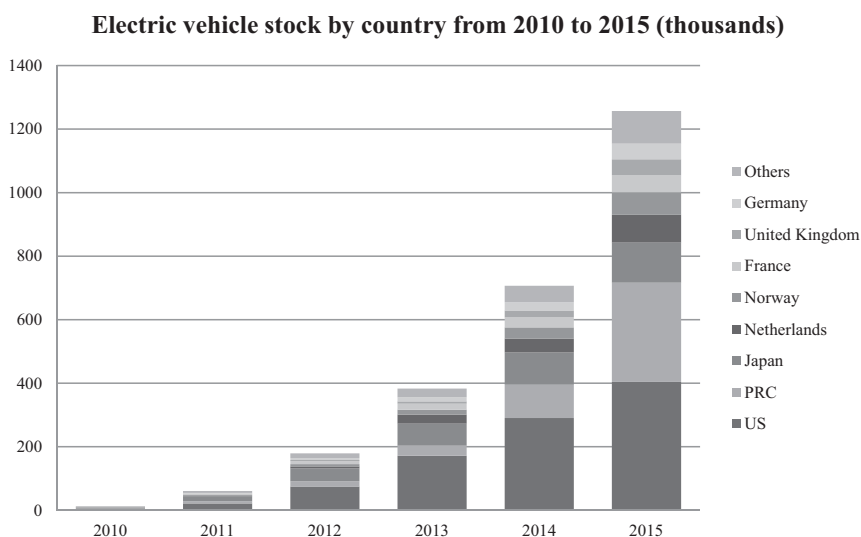
Following the Closing, the Group intends to continue the existing business of the UQM Group. The Group will provide such resources within its means to support the development of the existing business of the UQM Group. The Group has no present intention to introduce any change to the existing business of the UQM Group including any re-deployment of the fixed assets of the UQM Group. Save for the proposed investment in UQM through the Subscription, the Group does not have any plans at present to inject any further assets or business into UQM upon completion of the Subscription.

OVERVIEW OF THE GLOBAL ELECTRIC VEHICLE MARKET

The global electrified vehicle market is an emerging market with high growth potential being driven by several factors including the governmental incentive around the globe to encourage the purchase of electric vehicle and the strong demand for zero tailpipe emissions across the major cities and regions in the world. Also, there is a growing consumer acceptance towards electric vehicles due to their excellent performance, quiet operation, zero or reduced tailpipe emissions and improved operating cost.

LETTER FROM THE BOARD

According to the “Global Electric Vehicle Outlook 2016” published by The International Energy Agency, being one of the largest autonomous organisations established within the framework of the Organisation for Economic Co-operation and Development providing analysis of the energy data, the electric car stock has been growing since 2010, with the uptake of battery electric vehicles (the “BEVs”) slightly ahead of plug-in hybrid electric vehicles (the “PHEVs”). The year 2015 saw the global threshold of 1 million electric cars on the road exceeded, closing at 1.26 million, 80% of which are located in the US, the PRC, Japan, the Netherlands and Norway. The following table shows the historical trend of electric vehicle stock by country from 2010 to 2015.



The new registrations of electric cars (including both BEVs and PHEVs) have also recorded a significant increase of 70% between 2014 and 2015, with over 550,000 vehicles being sold worldwide in 2015.

Regarding the global electric bus stock, it is estimated to be close to 173,000 vehicles, almost entirely located in the PRC. Close to 150,000 of these are battery electric buses, running 100% on electricity. The electric bus stock grew nearly six fold between 2014 and 2015, demonstrating support for rapid public transport electrification from the Chinese government, which is driven by the urgent need to limit air pollution levels in its major cities. In a few other countries, electric bus fleets exist at the level of a few tens of buses (100 in India, 94 in the Netherlands, 30 in Sweden and 21 in Japan, according to EVI data submissions), and are deployed as pilots and demonstration projects in a few major cities.

LETTER FROM THE BOARD

It has been demonstrated that electric vehicles can deliver the practicality, sustainability, safety and affordability characteristics. By displacing internal combustion engines, electric vehicles also deliver immediate benefits for air quality in urban areas thanks to zero tailpipe emissions, as well as reduced noise level, therefore increasingly daily comfort for the city dweller. This explains the growing acceptance of electric vehicle in the market.

Also, national and local governments around the world have provided various policy supports to promote greater adoption of electric vehicles over the past few years. These policies include purchase incentive, use and circulation incentives, waivers provided to drivers on access restriction. It is believed that these policies will continue to be in place to support further electric vehicles adoption.

Looking ahead, the global demand for electric vehicles is on the rise and it is considered as a fast-evolving market. The Electric Vehicles Initiative, a multi-government policy forum established in 2009 under the Clean Energy Ministerial, has set a target of 20 million electric vehicles on the road by 2020, and meeting this target would lead to a global market share of 1.7% by 2020, of which the PRC and the US target to have over 4.6 million and 1.2 million electric vehicles respectively on their roads.

FINANCIAL EFFECTS OF THE SUBSCRIPTION

Upon Closing, UQM will become a non-wholly owned subsidiary of the Company and the financial results of the UQM Group will be consolidated into the consolidated accounts of the Group. The unaudited pro forma financial information of the Enlarged Group illustrating the financial effects of the Subscription on the assets, liabilities and earnings of the Group is set out in Appendix IV to this circular.

Assets

The unaudited consolidated total assets of the Group as at 30 June 2016 amounted to approximately HK\$2,161.35 million. As if the Subscription had been completed on 30 June 2016, the unaudited pro forma consolidated total assets of the Enlarged Group as set out in Appendix IV to this circular would have been increased to approximately HK\$2,424.13 million.

Liabilities

The unaudited consolidated total liabilities of the Group as at 30 June 2016 amounted to approximately HK\$26.82 million. As if the Subscription had been completed on 30 June 2016, the unaudited pro forma consolidated total liabilities of the Enlarged Group as set out in Appendix IV to this circular would have been increased to approximately HK\$62.12 million.

LETTER FROM THE BOARD

Earnings

As extracted from the annual report of the Company for the year ended 31 December 2015, the Group recorded an audited consolidated net loss of approximately HK\$349.04 million for the year ended 31 December 2015. According to the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group as set out in the Appendix IV to this circular, immediately after Closing, the financial results of the UQM Group will be consolidated with those of the Group and the earnings of the Enlarged Group would have been decreased as a result of the Subscription.

IMPLICATION UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Subscription as calculated under Rule 14.07 of the Listing Rules exceeds 100%, the Subscription contemplated under the SPA constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is, accordingly, subject to the approval of the Shareholders at the Special General Meeting.

To the best of the Directors' knowledge having made all reasonable enquiries, none of the controlling Shareholders, the Directors and the chief executives of the Company and their respective associates had any material interest in the proposed investment in UQM through the Subscription and the contemplated arrangements and transactions as at the Latest Practicable Date.

SPECIAL GENERAL MEETING

A notice of the Special General Meeting is set out on pages SGM-1 to SGM-2 of this circular.

In compliance with the Listing Rules, voting on the resolution to be proposed at the Special General Meeting will be conducted by way of poll.

Any Shareholder with a material interest in the proposed investment in UQM through the Subscription and the arrangements and transactions as contemplated under the SPA and his/her/its associate(s) are required to abstain from voting on the resolution approving same in accordance with the Listing Rules.

To the best of the Directors' knowledge having made all reasonable enquiries, none of the Shareholders is required to abstain from voting in respect of the ordinary resolution approving the proposed investment in UQM through the Subscription together with the arrangements and transactions as contemplated under the SPA.

LETTER FROM THE BOARD

A form of proxy for use at the Special General Meeting is enclosed with this circular. Whether or not you are able to attend the Special General Meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the Special General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting and any adjournment thereof (as the case may be) should you so wish.

RECOMMENDATION

The Directors consider that the terms of the proposed investment in UQM through the Subscription together with arrangements and transactions as contemplated under the SPA are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution approving the proposed investment in UQM through the Subscription together with the arrangements and transactions as contemplated under the SPA at the Special General Meeting.

Shareholders and potential investors of the Company should note that, the Closing as contemplated under the SPA is subject to fulfillment or, as applicable, waiver, of the Conditions disclosed in this circular and may or may not materialize.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully
By order of the Board of
Hybrid Kinetic Group Limited
Yeung Yung
Chairman

I. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group (i) for the year ended 31 December 2013 are disclosed in the annual report 2013 of the Company published on 29 April 2014, from pages 39 to 123; (ii) for the year ended 31 December 2014 are disclosed in the annual report 2014 of the Company published on 29 April 2015, from pages 45 to 133; and (iii) for the year ended 31 December 2015 are disclosed in the annual report 2015 of the Company published on 28 April 2016, from pages 44 to 129. The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2016 are disclosed in the interim report of the Company published on 21 September 2016, from pages 4 to 22.

All of these financial statements have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (hk1188.etnet.com.hk).

II. INDEBTEDNESS**Borrowings**

At the close of business on 30 September 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had no outstanding borrowings.

Contingent liabilities

At the close of business on 30 September 2016, the Enlarged Group had no contingent liabilities.

Apart from intra-group liabilities and normal trade payables arising in the ordinary course of business, the Enlarged Group did not have any outstanding mortgages, charges, debentures, loan capital and overdrafts or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances (other than normal trade bills), or acceptance credits, or any guarantees or other material contingent liabilities at the close of business on 30 September 2016.

III. WORKING CAPITAL

The Directors are of the opinion that in the absence of unforeseen circumstances and after taking into account the financial resources available to the Group and also taking into account the effect of the proposed investment in UQM through the Subscription, the Enlarged Group will have sufficient working capital for at least twelve months from the date of this circular.

IV. MATERIAL CHANGE

As at the Latest Practicable Date and save as the Subscription, the Directors were not aware of any material adverse change in the financial or trading position or prospect of the Group since 31 December 2015, the date to which the latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

V. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company has a long-term commitment to the global automobile industry. The Board believes that the demand for high-tech, clean and sustainable transportation will continue to grow under the global trend of urbanization and proactive impositions of environmental regulations.

The luxury car segment is seen as the most dynamic and major contributor of revenue in the luxury goods market. There has been an upward trend in the demand for luxury cars, and provide ample room for growth. This is even the case for the Chinese luxury car market. The increasingly affluent economy, the rising disposable income, the changing demographics and China's greentech policies have all been working in favour of the China market.

Given the positive response in respect of the electric buses designed by the Group, the Group has started to pave its way to open up electric motor vehicles business into the luxury car market. To implement the business plan of the Group, the Company collaborated with Pininfarina S.p.A, a renowned Italy automotive design company, in June 2016 for the design and development of a high end luxury new energy vehicle. The Board believes that good design and styling offers an impression of distinctiveness value and new experience of ergonomics. The collaboration allows the Group to bring its technical expertise in the manufacture of electric motor vehicles into the international market and make its name known to more international automobile manufacturers and customers. All these factors will enhance public confidence, promote future strategic cooperation and elevate position of the Group in the global market for electric vehicles.

The Board anticipates the finance-leasing business of the Group, which primarily targets to provide financial flexibility to transportation solutions operators, will continue to grow and help promote the automobile business of the Group. The Group intends to extend the provision of its finance-leasing services to potential customers who have financing needs for motor vehicles other than electric buses with a view to broadening its customer base and widening its source of revenue.

The Group will step up its efforts to explore investment opportunities and consider different options to achieve a higher level of vertical integration of the electric motor vehicles business (including but not limited to the viability of having its own manufacturing facilities (through acquisition or otherwise)). This business goal, if achieved successfully, is expected to improve supply chain co-ordination, as well as enhance costs and quality control. These, in turn, are expected to bring a positive impact on the Group's operation, performance and competitiveness in the automobile market place.

The following is the text of a report prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong. Terms defined herein apply to this report only.



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永安中心25樓

23 November 2016

The Board of Directors

Hybrid Kinetic Group Limited

Dear Sirs,

We set out below our report on the financial information of UQM Technologies, Inc., (the “Target Company”) and its subsidiary (collectively referred to as the “Target Group”) which comprises the consolidated statements of financial position of the Target Group as at 31 March 2014, 2015 and 2016 and 30 June 2016 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016 (the “Relevant Periods”), and the statements of financial position of the Target Company as at 31 March 2014, 2015 and 2016 and 30 June 2016, together with the explanatory notes thereto (the “Financial Information”), for inclusion in the circular (the “Circular”) dated 23 November 2016 issued by Hybrid Kinetic Group Limited (the “Company”) in connection with the proposed investment in approximately 58% of the issued shares of the Target Company by a subsidiary of the Company.

The Target Company is a corporation incorporated in Colorado, the United States (the “US”), in 1967 under the laws of Colorado and its common stock is listed on The New York Stock Exchange (the “NYSE”). The Target Company has a direct interest in a subsidiary as set out in note 1 of Section II below. The Target Group prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States. As of the date of this report, no statutory financial statements have been prepared for this subsidiary as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation. All the companies comprising the Target Group have adopted 31 March as their financial year end date.

For the purpose of this report, the directors of the Target Company have prepared the consolidated financial statements of the Target Group for the Relevant Periods (the “Underlying Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provision of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with the HKFRSs issued by HKICPA, the disclosure provisions of the Hong Kong Companies Ordinance and the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures and to report our opinion thereon to you.

BASIS OF OPINION IN RESPECT OF THE FINANCIAL INFORMATION

For the purpose of this report, we have carried out audit procedures in respect of the Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Group and the Target Company as at 31 March 2014, 2015 and 2016 and 30 June 2016, and of the financial performance and cash flows of the Target Group for each of the Relevant Periods.

COMPARATIVE FINANCIAL INFORMATION

The directors of the Company are also responsible for the preparation and presentation of the comparative consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the three months ended 30 June 2015 (the “Comparative Financial Information”) in accordance with the same basis adopted in respect of the Financial Information.

We have reviewed the Comparative Financial Information of the Target Group in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

A review consists principally of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSAAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

Based on our review, which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 March			Three months ended 30 June	
		2014	2015	2016	2015	2016
		US\$'000	US\$'000	US\$'000	US\$'000 (Unaudited)	US\$'000
Revenue	7.1	6,251	3,536	4,681	706	1,184
Cost of sales		<u>(3,645)</u>	<u>(2,433)</u>	<u>(3,318)</u>	<u>(582)</u>	<u>(749)</u>
Gross profit		2,606	1,103	1,363	124	435
Other income	7.2	5,335	3,252	1,250	46	261
Distribution costs		(938)	(894)	(1,140)	(231)	(278)
General operating expenses		<u>(9,777)</u>	<u>(9,449)</u>	<u>(8,412)</u>	<u>(2,164)</u>	<u>(2,372)</u>
Loss before income tax	8	(2,774)	(5,988)	(6,939)	(2,225)	(1,954)
Income tax expense	9	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loss for the year/period		<u><u>(2,774)</u></u>	<u><u>(5,988)</u></u>	<u><u>(6,939)</u></u>	<u><u>(2,225)</u></u>	<u><u>(1,954)</u></u>
Total comprehensive income attributable to owners of the Target Company		<u><u>(2,774)</u></u>	<u><u>(5,988)</u></u>	<u><u>(6,939)</u></u>	<u><u>(2,225)</u></u>	<u><u>(1,954)</u></u>
Loss per share attributable to owners of the Target Company	11					
Loss per share – basis		US 7 cents	US 15 cents	US 16 cents	US 6 cents	US 4 cents
Loss per share – diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Consolidated Statements of Financial Position

		As at 31 March			As at
		2014	2015	2016	30 June
	Notes	US\$'000	US\$'000	US\$'000	2016
					US\$'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	13	7,567	6,826	6,047	5,906
Intangible assets	14	<u>334</u>	<u>342</u>	<u>347</u>	<u>345</u>
		<u>7,901</u>	<u>7,168</u>	<u>6,394</u>	<u>6,251</u>
Current assets					
Inventories	15	10,057	9,354	9,111	9,053
Trade receivables	16	322	513	345	623
Prepayments and other receivables	17	1,245	1,126	470	402
Cash and bank balances	18	<u>10,310</u>	<u>6,586</u>	<u>7,030</u>	<u>5,498</u>
		<u>21,934</u>	<u>17,579</u>	<u>16,956</u>	<u>15,576</u>
Current liabilities					
Trade payables	19	166	176	119	192
Accrued liabilities, other payables and deferred income	20	761	837	798	1,037
Provisions	21	<u>951</u>	<u>960</u>	<u>433</u>	<u>447</u>
		<u>1,878</u>	<u>1,973</u>	<u>1,350</u>	<u>1,676</u>
Net current assets		<u>20,056</u>	<u>15,606</u>	<u>15,606</u>	<u>13,900</u>
Total assets less current liabilities		<u>27,957</u>	<u>22,774</u>	<u>22,000</u>	<u>20,151</u>
Non-current liabilities					
Other payables and deferred income	20	<u>182</u>	<u>445</u>	<u>289</u>	<u>331</u>
Net assets		<u>27,775</u>	<u>22,329</u>	<u>21,711</u>	<u>19,820</u>
EQUITY					
Equity attributable to owners of the Target Company					
Share capital	22	398	400	483	484
Reserves	24	<u>27,377</u>	<u>21,929</u>	<u>21,228</u>	<u>19,336</u>
Total equity		<u>27,775</u>	<u>22,329</u>	<u>21,711</u>	<u>19,820</u>

Statements of Financial Position

		As at 31 March			As at
		2014	2015	2016	30 June
	Notes	US\$'000	US\$'000	US\$'000	2016
		US\$'000	US\$'000	US\$'000	US\$'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	13	2,029	1,450	833	733
Interest in a subsidiary	29	4,172	4,172	4,172	4,172
Intangible assets	14	<u>334</u>	<u>342</u>	<u>347</u>	<u>345</u>
		<u>6,535</u>	<u>5,964</u>	<u>5,352</u>	<u>5,250</u>
Current assets					
Inventories	15	10,057	9,354	9,111	9,053
Trade receivables	16	322	513	345	623
Prepayments and other receivables	17	1,245	1,126	470	402
Amount due from a subsidiary	29	1,366	1,204	1,042	1,001
Cash and bank balances	18	<u>10,310</u>	<u>6,586</u>	<u>7,030</u>	<u>5,498</u>
		<u>23,300</u>	<u>18,783</u>	<u>17,998</u>	<u>16,577</u>
Current liabilities					
Trade payables	19	166	176	119	192
Accrued liabilities, other payables and deferred income	20	761	837	798	1,037
Provisions	21	<u>951</u>	<u>960</u>	<u>433</u>	<u>447</u>
		<u>1,878</u>	<u>1,973</u>	<u>1,350</u>	<u>1,676</u>
Net current assets		<u>21,422</u>	<u>16,810</u>	<u>16,648</u>	<u>14,901</u>
Total assets less current liabilities		<u>27,957</u>	<u>22,774</u>	<u>22,000</u>	<u>20,151</u>
Non-current liabilities					
Other payables and deferred income	20	<u>182</u>	<u>445</u>	<u>289</u>	<u>331</u>
Net assets		<u>27,775</u>	<u>22,329</u>	<u>21,711</u>	<u>19,820</u>
EQUITY					
Share capital	22	398	400	483	484
Reserves	24	<u>27,377</u>	<u>21,929</u>	<u>21,228</u>	<u>19,336</u>
Total equity		<u>27,775</u>	<u>22,329</u>	<u>21,711</u>	<u>19,820</u>

Consolidated Statements of Changes in Equity*(The Target Group and the Target Company)*

	Share capital US\$'000	Additional paid-in capital US\$'000 (note 24)	Accumulated losses US\$'000	Total equity US\$'000
At 1 April 2013	367	115,573	(91,175)	24,765
Shares issued under employee stock purchase plan (note 23)	1	61	–	62
Subscription of new shares (note 22(a))	29	5,271	–	5,300
Share issuance expenses	–	(389)	–	(389)
Vesting of shares under stock bonus plan (note 23)	1	(1)	–	–
Proceeds from share issued under share option scheme (note 23)	–	21	–	21
Recognition of equity settled share-based compensation (note 23)	–	790	–	790
Transactions with owners	31	5,753	–	5,784
Loss for the year	–	–	(2,774)	(2,774)
Total comprehensive income for the year	–	–	(2,774)	(2,774)
At 31 March 2014 and 1 April 2014	398	121,326	(93,949)	27,775
Shares issued under employee stock purchase plan (note 23)	–	22	–	22
Vesting of shares under stock bonus plan (note 22(a))	3	(3)	–	–
Awarded Shares retired in payment of withholding tax for employees	(1)	(171)	–	(172)
Proceeds of share issued under share option scheme (note 23)	–	4	–	4
Recognition of equity settled share-based compensation (note 23)	–	688	–	688
Transactions with owners	2	540	–	542
Loss for the year	–	–	(5,988)	(5,988)
Total comprehensive income for the year	–	–	(5,988)	(5,988)
At 31 March 2015 and 1 April 2015	400	121,866	(99,937)	22,329

	Share capital US\$'000	Additional paid-in capital US\$'000 (note 24)	Accumulated losses US\$'000	Total equity US\$'000
At 31 March 2015 and 1 April 2015	400	121,866	(99,937)	22,329
Shares issued under employee stock purchase plan (note 23)	1	39	–	40
Subscription of new shares (note 22(a))	80	6,320	–	6,400
Share issuance expenses	–	(622)	–	(622)
Vesting of shares under stock bonus plan (note 23)	4	(4)	–	–
Awarded Shares retired in payment of withholding tax for employees	(2)	(90)	–	(92)
Recognition of equity settled share-based compensation (note 23)	<u>–</u>	<u>595</u>	<u>–</u>	<u>595</u>
Transactions with owners	83	6,238	–	6,321
Loss for the year	<u>–</u>	<u>–</u>	<u>(6,939)</u>	<u>(6,939)</u>
Total comprehensive income for the year	<u>–</u>	<u>–</u>	<u>(6,939)</u>	<u>(6,939)</u>
At 31 March 2016 and 1 April 2016	483	128,104	(106,876)	21,711
Shares issued under employee stock purchase plan (note 23)	1	9	–	10
Vesting of shares under stock bonus plan (note 23)	–	–	–	–
Awarded Shares retired in payment of withholding tax for employees	–	(1)	–	(1)
Recognition of equity settled share-based compensation (note 23)	<u>–</u>	<u>54</u>	<u>–</u>	<u>54</u>
Transactions with owners	1	62	–	63
Loss for the period	<u>–</u>	<u>–</u>	<u>(1,954)</u>	<u>(1,954)</u>
Total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>(1,954)</u>	<u>(1,954)</u>
At 30 June 2016	<u>484</u>	<u>128,166</u>	<u>(108,830)</u>	<u>19,820</u>

	Share capital <i>US\$'000</i>	Additional paid-in capital <i>US\$'000</i> (note 24)	Accumulated losses <i>US\$'000</i>	Total equity <i>US\$'000</i>
At 31 March 2015 and 1 April 2015	400	121,866	(99,937)	22,329
Shares issued under employee stock purchase plan (note 23)	1	22	–	23
Vesting of shares under stock bonus plan (note 23)	–	–	–	–
Awarded Shares retired in payment of withholding tax for employees	–	(1)	–	(1)
Recognition of equity settled share-based compensation (note 23)	<u>–</u>	<u>140</u>	<u>–</u>	<u>140</u>
Transactions with owners	1	161	–	162
Loss for the period	<u>–</u>	<u>–</u>	<u>(2,225)</u>	<u>(2,225)</u>
Total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>(2,225)</u>	<u>(2,225)</u>
At 30 June 2015 (Unaudited)	<u><u>401</u></u>	<u><u>122,027</u></u>	<u><u>(102,162)</u></u>	<u><u>20,266</u></u>

Consolidated Statements of Cash Flows

		Year ended 31 March			Three months ended	
		2014	2015	2016	30 June	2016
	Notes	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
					(Unaudited)	
Cash flows from operating activities						
Loss before income tax		(2,774)	(5,988)	(6,939)	(2,225)	(1,954)
Adjustments for:						
Amortisation of intangible assets	8	38	21	26	4	6
Depreciation of property, plant and equipment	8	1,099	1,040	924	254	157
Bank interest income	7	(2)	(12)	(8)	(3)	(3)
Gain on disposal of property, plant and equipment	7	(37)	–	–	–	–
Reversal of provision for claims from suppliers	7	(141)	–	(586)	–	–
Reversal of other payables	7	(727)	–	–	–	–
Inventories written off	8	5	44	10	–	–
Trade receivables written off	8	–	2	105	–	–
Share-based compensation	8	790	688	595	140	54
Operating loss before working capital changes		(1,749)	(4,205)	(5,873)	(1,830)	(1,740)
Decrease/(increase) in inventories		950	659	233	(21)	58
Decrease/(increase) in trade receivables		496	(193)	63	127	(278)
Decrease in prepayments and other receivables		638	119	656	776	68
(Decrease)/increase in trade payables		(451)	10	(57)	30	73
(Decrease)/increase in accrued liabilities, other payables and deferred income		(288)	339	391	(15)	281
(Decrease)/increase in provisions		(176)	9	(527)	(2)	14
Cash used in operating activities		(580)	(3,262)	(5,114)	(935)	(1,524)
Interest received		2	12	8	3	3
<i>Net cash used in operating activities</i>		(578)	(3,250)	(5,106)	(932)	(1,521)

	Year ended 31 March			Three months ended 30 June	
	2014 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000 (Unaudited)	2016 US\$'000
Cash flows from investing activities					
Purchases of property, plant and equipment	(206)	(299)	(150)	(47)	(16)
Additions of intangible assets	(55)	(29)	(31)	(2)	(4)
Proceeds from disposal of property, plant and equipment	1,565	–	5	–	–
(Increase)/decrease in fixed deposit with original maturity period over three months	(1)	63	–	–	–
<i>Net cash generated from/(used in) investing activities</i>	<u>1,303</u>	<u>(265)</u>	<u>(176)</u>	<u>(49)</u>	<u>(20)</u>
Cash flows from financing activities					
Awarded shares retired in payment of withholding tax for employees	–	(172)	(92)	(1)	(1)
Proceeds from shares issued under employee stock purchase plan	62	22	40	23	10
Proceeds from share issued under shares option scheme	21	4	–	–	–
Proceeds from issuance of new shares	5,300	–	6,400	–	–
Share issuance expenses	(389)	–	(622)	–	–
<i>Net cash generated from/(used in) financing activities</i>	<u>4,994</u>	<u>(146)</u>	<u>5,726</u>	<u>22</u>	<u>9</u>
Net increase/(decrease) in cash and cash equivalents	5,719	(3,661)	444	(959)	(1,532)
Cash and cash equivalents at beginning of year/period	<u>4,528</u>	<u>10,247</u>	<u>6,586</u>	<u>6,586</u>	<u>7,030</u>
Cash and cash equivalents at end of year/period	<u><u>10,247</u></u>	<u><u>6,586</u></u>	<u><u>7,030</u></u>	<u><u>5,627</u></u>	<u><u>5,498</u></u>
Analysis of balances of cash and cash equivalents					
Bank balances and cash	10,310	6,586	7,030	5,627	5,498
Less: Fixed deposit with original maturity period over three months	(63)	–	–	–	–
	<u><u>10,247</u></u>	<u><u>6,586</u></u>	<u><u>7,030</u></u>	<u><u>5,627</u></u>	<u><u>5,498</u></u>

II. NOTES TO THE FINANCIAL INFORMATION

1. General information

UQM Technologies, Inc. (the “Target Company”) was a corporation incorporated in the US in 1967 under the laws of Colorado and its registered office is 4120 Specialty Place, Longmont, CO 80504. The Target Company’s common stock are listed on the NYSE.

The principal activities of the Target Group are to develop, manufacture and sell power-dense, high-efficiency electric motors, generators, power electronic controllers and fuel cell compressors for the commercial truck, bus, automotive, marine, military and industrial markets.

Information about subsidiaries

As of 31 March 2014, 2015 and 2016, and 30 June 2016, the Target Company has direct ownership interest in the following subsidiary, which is included in the Financial Information:

Name of subsidiary	Place of incorporation	Issued capital	Effective equity interest held by the Target Company	Principal activity
UQM Properties, Inc.	The US	US\$0	100%	Property holding

Subsequent to 30 June 2016, in October 2016, the Target Company has formed a wholly-owned subsidiary, UQM Technologies Asia Limited (a company incorporated in Hong Kong with limited liabilities), but it has not commenced business up to the date of this report.

2. Basis of preparation

The Financial Information have been prepared in accordance with the applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective terms includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”). Further details of the significant accounting policies adopted are set out in note 4 of section II. The Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Financial Information has been prepared under the historical cost basis.

The Financial Information are presented in US Dollar (“US\$”) and all values are rounded to the nearest thousand (“US\$’000”), unless otherwise stated. US\$ is the presentation and the functional currency of the Target Company and the Target Group.

3. Application of new and revised HKFRSs

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Group has consistently adopted all of the new and revised HKFRSs, HKASs and amendments (thereafter collectively referred to as “new and revised HKFRSs”) issued by the HKICPA that are effective for annual accounting periods beginning on 1 April 2016 consistently throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new or amended HKFRSs that have been issued but are not yet effective and are potentially relevant to the Target Group, and have not been adopted early by the Target Group.

Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Income Taxes ¹
HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

Amendments to HKAS 7 – Disclosure Initiative

The improvements require companies to provide information about changes in their financial liabilities. One of the ways to meet the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Amendments to HKAS 12 – Income taxes

HKAS 12 provides requirements on the recognition and measurement of current or deferred tax liabilities or assets. The improvements clarify how to account for deferred tax assets related to debt instruments measured at fair value.

On initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

HKFRS 16 – Leases

HKFRS 16 supersedes HKAS 17 “Leases”, HK(IFRIC) – Int 4 “Determining whether an Arrangement contain a Lease”, HK(SIC) – Int 15 “Operating Lease – Incentives” and HK(SIC) – Int 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17 “Leases”. Under HKFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. lease of 12 months or less, including the effect of any extension options) and (b) leases of low value assets (for example, a lease of a personal computer).

HKFRS 16 substantially carries forward the lessor's accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows: (a) if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be reclassified as an operating lease; (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

The Target Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Target Group but not yet in a position to state whether these new/revised HKFRSs would have material impact on the Financial Information.

4. Significant accounting policies

4.1 Business combination and basis of consolidation

The Financial Information comprises the financial statements of the Target Company and its subsidiary for the Relevant Periods. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the Financial Information. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Target Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Target Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Target Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiaries either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

The results of subsidiaries acquired or disposed of are included in the statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Target Group.

Changes in the Target Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Target Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Target Company.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4.2 *Subsidiary*

A subsidiary is an investee over which the Target Company is able to exercise control. The Target Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Target Company's statement of financial position, investment in subsidiary is stated at cost less impairment loss, if any. The results of subsidiary are accounted for by the Target Company on the basis of dividend received and receivable.

4.3 *Foreign currency*

Transactions entered into by the consolidated entities in currencies other than the currency of the primary economic environment in which they operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

4.4 Property, plant and equipment

Property, plant and equipment, other than freehold land and construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land is stated at cost less identified impairment losses. The cost of asset comprises its purchase price and the costs directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on the following property, plant and equipment is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	27.5 years
Building improvements	3 – 5 years
Machineries and equipment	3 – 5 years
Office furniture and equipment	3 – 5 years
Motor vehicles	3 – 5 years

The assets' residual value, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

No depreciation is provided for freehold land as it is deemed to have an indefinite life.

Construction in progress represented machineries and equipment under assembling and is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when the assembling work is completed and ready for use.

The gain or loss on arising from the retirement or disposal of an item of property, plant and equipment is determined as the difference between the net sale proceeds on disposal and its carrying amount and is recognised in profit or loss on the date of retirement or disposal.

4.5 *Intangible assets (other than goodwill) and research and development activities*

Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following estimated useful lives are applied:

Patents	8 to 20 years
Trademarks	40 years

Intangible assets with indefinite useful lives are carried at cost less any subsequent impairment losses.

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described in note 4.13.

Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet the following recognition requirements:

- (i) demonstration of technical feasibility of the prospective product for internal use or sale;
- (ii) there is intention to complete the intangible asset and use or sell it;
- (iii) the Target Group's ability to use or sell the intangible asset is demonstrated;
- (iv) the intangible asset will generate probable economic benefits through internal use or sale;
- (v) sufficient technical, financial and other resources are available for completion; and
- (vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

4.6 *Financial Instruments*

(i) Financial assets

The Target Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned. All financial assets are recognised when, and only when, the Target Group becomes a party to the contractual provision of the instrument.

The Target Group's financial assets are classified as loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Target Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss on loans and receivables is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

The Target Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred.

Financial liabilities at amortised cost including trade payables, other payables and accruals are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Target Group derecognises a financial asset when the contractual right to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4.7 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4.8 Government grants

Government grant are recognised when there is reasonable assurance that they will be received and that the Target Group will comply with the conditions attaching to them. Grants that compensate the Target Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Target Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

4.9 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired which are repayable on demand and form an integral part of the Target Group's cash management.

4.10 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Target Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Target Group are classified as operating leases. Where the Target Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

4.11 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.12 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services and the use by others of the Target Group's assets yielding interests and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Target Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- (i) Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered to customer;

- (ii) Revenue from contract services is recognised based on the period in which such services have been rendered and by reference to the percentage of completion of the contract at the reporting date;
- (iii) Interest income is recognised on a time-proportion basis using the effective interest method.

4.13 Impairment of non-financial assets

Property, plant and equipment, intangible assets (other than goodwill) and interest in a subsidiary are subject to impairment testing.

Intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.14 Employee benefits*(i) Defined benefit retirement plan*

The Target Group operates a defined contribution retirement benefit plan under section 401(k) of the Inland Revenue Code for all of its employees who are eligible to participate in. The scheme is governed by the regulations of the country in which the Target Group operates.

Contributions to the defined contribution retirement plans are recognised as expensed as incurred.

(ii) Employee stock purchase plan

The Target Group established an employee stock purchase plan under which eligible employees may contribute up to 10 percent of their compensation to purchase shares of the common stock of the Target Group at 85 percent of the fair market value at specified dates.

(iii) Stock bonus plan

For shares granted under the employee ownership scheme of the Target Group ("Awarded Shares"), the fair value of the employee services received is determined by reference to the fair value of Awarded Shares granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in additional paid-in capital. At the end of each reporting period, the Target Group revises its estimates of the number of Awarded Shares that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in the consolidated statement of comprehensive income, with a corresponding adjustment to the additional paid-in capital in the consolidated statement of changes in equity.

(iv) Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting periods in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

4.15 Share-based compensation

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

For share options granted to service providers in exchange for services acquired, they are measured at the fair value of the services received. Their fair values of the services are recognised as expense immediately, unless the services qualify for recognition as assets. Corresponding adjustments have been made to equity.

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the share options granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in equity compensation reserve in equity. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in equity compensation reserve will be transferred to share capital and share premium. After the vesting date, when the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in equity compensation reserve will continue to be held in equity compensation reserve.

4.16 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiary, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.17 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Target Group's chief operating decision maker, i.e. the senior executive management, for the purpose of allocating resources to, and assessing the performance of, the Target Group's various business operation and geographical locations.

Individually material operating segments are not aggregated for financial reporting purpose unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4.18 Related parties

- (a) A person or a close member of that person's family is related to the Target Group if that person:
 - (i) has control or joint control over the Target Group;
 - (ii) has significant influence over the Target Group; or
 - (iii) is a member of key management personnel of the Target Group or the Target Company's parent.
- (b) An entity is related to the Target Group if any of the following conditions apply:
 - (i) The entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Target Group or an entity related to the Target Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the Target Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Group makes judgements, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Depreciation and amortisation

The Target Group depreciates the property, plant and equipment and amortises the intangible assets in accordance with the accounting policies stated in notes 4.4 and 4.5 respectively. The estimated useful lives reflect the directors' estimate of the periods that the Target Group intends to derive future economic benefits from the use of these assets.

(ii) Allowance for and written off of irrecoverable receivables

The Target Group's management determines the allowance for irrecoverable receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. When the Target Group's management determines that there are indicators of significant financial difficulties of the debtors such as default or delinquency in payments, allowance for debtors are estimated. The management of the Target Group reassesses the estimations at the reporting date.

When the Target Group's management determines the debtors are uncollectible, they are written off against the allowance account for debtors.

(iii) Impairment of non-financial assets (other than goodwill)

The Target Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

(iv) Income taxes

The Target Group is subject to income taxes in the US. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Target Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

(v) Provision for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Target Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable value. A considerable amount of judgement is required in determining such allowance. If conditions which have impact on the net realisable value of inventories deteriorate, additional allowances may be required.

(vi) Stage of completion of contract services

Revenue from contract services is recognised according to the percentage of completion of the services. The revenue recognition on an uncompleted contract service is dependent on estimating the total work to be performed of the contract, as well as the work done to date. In order to ensure that the percentage of completion of contract services is accurate and up-to-date, the management frequently reviews and estimates the progress of the contract services rendered based on their past experience and the nature of the consultancy service provided by the Target Group.

(vii) Provisions

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and that amount is reasonably estimate, a corresponding amount of provision is recognised in the Financial Information. However, no provision is recognised for costs that need to be incurred to operate in the future.

Provision for product warranty granted by the Target Group to certain products are recognised based on sales volume and at the directors' best estimate of the expenditure required settle the Target Group's obligation. Any increase or decrease in the provision would affect profit or loss in future years.

(viii) Research and development costs

In accordance with the accounting policy as set out in note 4.5, costs associated with research activities are expensed in profit or loss as they are incurred, while costs that are directly attributable to development activities are recognised as intangible assets provided they meet all the requirements as set out in note 4.5. This requires the management to make judgements to distinguish the research phase and development phase of the projects being undertaken. Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use. Determining the amounts to be expensed in profit or loss or to be capitalised required management to make judgement and assumptions regarding the expected progress and outcome of the research and development activities, the future expected cash generation of the assets, discount rates to be applied, and also the expected period of probable future economic benefits. Because of the nature of the Target Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the projects. Hence research costs are generally recognised as expenses in the period in which they are incurred.

(ix) Employee share-based compensations

The Target Group records employee compensation expense associated with share-based payment awards based on fair value of the award at the date of grant. The Target Group is required to make assumptions regarding a number of complex and subjective variables in estimating the fair value. The assumptions used are described in note 23.

6. Segment information

The chief operating decision maker has been identified as the Target Company's senior executive management. The Target Group's principal activities are to develop, manufacture, and sell electric motors, generators, power electronic controllers and fuel cell compressors. The chief operating decision maker regards it as a single business segment. Also, the measurement policies the Target Group adopted for segment reporting under HKFRS 8 are the same as those used in the Financial Information prepared under HKFRSs. Accordingly, no segment disclosures are presented other than the entity-wide disclosures.

The management determines the Target Group is domiciled in the US, which is the location of the Target Group's principal office. No geographic information for the non-current assets (other than financial instruments) is shown as all the non-current assets (other than financial instruments) are physically located in the US as at 31 March 2014, 2015 and 2016 and 30 June 2016.

The Target Group's revenue from external customers is divided into the following geographical areas. The geographical location of customers is based on the location of customers.

	Revenue from external customers				
	Year ended 31 March			Three months ended	
	2014	2015	2016	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	(Unaudited)				
The US	4,899	2,962	2,911	392	920
Japan	474	113	77	–	16
Indonesia	458	26	30	–	–
Sweden	70	129	–	–	148
Canada	–	33	1,162	216	20
Others	350	273	501	98	80
	<u>6,251</u>	<u>3,536</u>	<u>4,681</u>	<u>706</u>	<u>1,184</u>

During each of the Relevant Periods, revenue from transactions with the following customers amounted to 10% or more of the Target Group's revenue are as follows:

	Year ended 31 March			Three months ended 30 June	
	2014	2015	2016	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				(Unaudited)	
Customer A	(note)	823	565	150	225
Customer B	–	(note)	1,076	201	(note)
Customer C	728	(note)	(note)	(note)	(note)
Customer D	(note)	(note)	–	–	148
Customer E	(note)	(note)	860	122	353

Note: Revenue from these customers were less than 10% of the Target Group in these respective Relevant Periods and therefore the revenue from these customers in that Relevant Periods were not presented.

7. Revenue and other income

7.1 Revenue derived from the Target Group's principal activities, which is also the Target Group's turnover, recognised during the Relevant Periods is as follows:

	Year ended 31 March			Three months ended 30 June	
	2014	2015	2016	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				(Unaudited)	
Product sales	6,136	3,219	4,593	631	1,173
Contract services	115	317	88	75	11
	<u>6,251</u>	<u>3,536</u>	<u>4,681</u>	<u>706</u>	<u>1,184</u>

7.2 Other income

Bank interest income	2	12	8	3	3
Reversal of provision for claims from suppliers (note 21(b))	141	–	586	–	–
Reversal of other payables	727	–	–	–	–
Gain on disposal of property, plant and equipment	37	–	–	–	–
Government grants (note)	4,421	2,381	626	35	251
Others	7	859	30	8	7
	<u>5,335</u>	<u>3,252</u>	<u>1,250</u>	<u>46</u>	<u>261</u>

Note:

The Target Group has applied for the funding support (the "Grants") set up by the US Department of Energy. The purpose of the Grants was to encourage technology innovation by granting financial assistance for subsidising the Target Group's research and development expenses.

8. Loss before income tax

Loss before income tax is arrived at after charging:

	Year ended 31 March			Three months ended 30 June	
	2014	2015	2016	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				(Unaudited)	
Auditors' remuneration	165	170	90	36	67
Cost of inventories recognised as expenses, including:	3,645	2,433	3,318	582	749
Inventories written off	5	44	10	–	–
Research and development expenses	5,506	4,939	4,080	1,133	949
Depreciation of property, plant and equipment	1,099	1,040	924	254	157
Amortisation of intangible assets	38	21	26	4	6
Trade receivables written off	–	2	105	–	–
Operating lease charges on rented premises	–	–	1	–	4
Staff costs (including directors' remuneration):					
– Salaries, wages and other benefits	6,647	6,710	6,303	1,645	1,406
– Share-based compensation	790	688	595	140	54
– Contribution to defined contribution plan	133	117	116	25	30
	<u>7,570</u>	<u>7,515</u>	<u>7,014</u>	<u>1,810</u>	<u>1,490</u>

9. Income tax expense

During the Relevant Periods, the Target Group is subject to income tax on profits arising in or derived from the jurisdictions in which the Target Group are domiciled and operated.

	Year ended 31 March			Three months ended 30 June	
	2014	2015	2016	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				(Unaudited)	
Current – US	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Corporate income tax arising from the Target Group's operation in the US for the Relevant Periods was calculated at 34% for federal taxes and 3.06% for state taxes, net of federal benefit of the estimated assessable profits.

During the Relevant Periods, no Hong Kong profits tax has been provided as the Target Group has no assessable profits arising in Hong Kong.

The income tax expense for the Relevant Periods can be reconciled to the loss before income tax per the consolidated statements of comprehensive income as follows:

	Year ended 31 March			Three months ended 30 June	
	2014	2015	2016	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				(Unaudited)	
Loss before income tax	<u>(2,774)</u>	<u>(5,988)</u>	<u>(6,939)</u>	<u>(2,225)</u>	<u>(1,954)</u>
Tax on loss before income tax, calculated at statutory rates (37.06%, 37.06%, 37.06% and 37.06% for the Relevant Periods)	(1,028)	(2,219)	(2,572)	(825)	(724)
Tax effect of tax losses not recognised	916	2,430	2,496	802	711
Tax effect of non-taxable income	–	(317)	–	–	–
Tax effect of non-deductible expenses	<u>112</u>	<u>106</u>	<u>76</u>	<u>23</u>	<u>13</u>
Income tax expense	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

As at 31 March 2014, 2015, and 2016 and 30 June 2016, the Target Group had estimated unused tax losses of approximately US\$70,900,000, US\$77,400,000, US\$84,800,000 and US\$86,700,000 (30 June 2015 (unaudited): US\$79,600,000) for US income tax purpose that expire in varying amounts through year 2036.

Deferred tax assets have not been recognised for such losses at the reporting dates due to the unpredictability of future profits streams of the Target Group.

10. Dividends

No dividend was paid or declared by the Target Company during the Relevant Periods.

11. Loss per share

The calculation of the basic loss per share attributable to owners of the Target Company is based on the following data:

	Year ended 31 March			Three months ended	
	2014	2015	2016	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				(Unaudited)	
Loss attributable to the owners of the Target Company for the purpose of basic loss per share	(2,774)	(5,988)	(6,939)	(2,225)	(1,954)
	Number of shares			Three months ended	
	2014	2015	2016	2015	2016
	'000	'000	'000	'000	'000
				(Unaudited)	
Weighted average number of shares for the purpose of basic loss per share	37,253	39,941	43,574	40,041	48,346

Diluted loss per share amount for the Relevant Periods was not presented because the impact of the exercise of the warrants and share options was anti-dilutive. Potential common stock are dilutive when and only when their conversion into common stock would increase loss per share attributable to owners of the Target Company.

12. Directors' emoluments and five highest paid individuals

(a) Directors' emoluments

The remuneration of each of the directors of the Target Company during the Relevant Periods is set out below:

Year ended 31 March 2014	Fees US\$'000	Salaries, allowances and benefits in kind US\$'000	Bonuses US\$'000	Equity-settled share-based compensation expenses US\$'000	Contribution to defined contribution plan US\$'000	Total US\$'000
Executive director						
Donald W. Vanlandingham	40	–	–	18	–	58
Non-executive directors						
Stephen J. Roy	40	–	–	18	–	58
Joseph P. Sellinger	35	–	–	18	–	53
John E. Sztzykiel	40	–	–	18	–	58
William Rankin	44	–	–	22	–	66
Total	199	–	–	94	–	293
Year ended 31 March 2015	Fees US\$'000	Salaries, allowances and benefits in kind US\$'000	Bonuses US\$'000	Equity-settled share-based compensation expenses US\$'000	Contribution to defined contribution plan US\$'000	Total US\$'000
Executive director						
Donald W. Vanlandingham	44	–	–	24	–	68
Non-executive directors						
Stephen J. Roy	40	–	–	19	–	59
Joseph P. Sellinger	40	–	–	19	–	59
John E. Sztzykiel	40	–	–	19	–	59
William Rankin (retired with effect from 30 April 2014)	4	–	–	–	–	4
Total	168	–	–	81	–	249
Year ended 31 March 2016	Fees US\$'000	Salaries, allowances and benefits in kind US\$'000	Bonuses US\$'000	Equity-settled share-based compensation expenses US\$'000	Contribution to defined contribution plan US\$'000	Total US\$'000
Executive directors						
Joseph R. Mitchell (appointed with effect from 5 January 2016)	–	69	35	–	2	106
Donald W. Vanlandingham	47	–	–	11	–	58
Non-executive directors						
Stephen J. Roy	40	–	–	9	–	49
Joseph P. Sellinger	37	–	–	9	–	46
John E. Sztzykiel	67	–	–	9	–	76
Total	191	69	35	38	2	335

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Three months ended 30 June 2016	Fees US\$'000	Salaries, allowances and benefits in kind US\$'000	Bonuses US\$'000	Equity-settled share-based compensation expenses US\$'000	Contribution to defined contribution plan US\$'000	Total US\$'000
Executive directors						
Joseph R. Mitchell	–	87	–	–	2	89
Donald W. Vanlandingham	11	–	–	–	–	11
Non-executive director						
Stephen J. Roy	10	–	–	–	–	10
Joseph P. Sellinger	10	–	–	–	–	10
John E. Szykiel	10	–	–	–	–	10
Total	41	87	–	–	2	130
Three months ended 30 June 2015 (Unaudited)	Fees US\$'000	Salaries, allowances and benefits in kind US\$'000	Bonuses US\$'000	Equity-settled share-based compensation expense US\$'000	Contribution to defined contribution plan US\$'000	Total US\$'000
Executive director						
Donald W. Vanlandingham	11	–	–	–	–	11
Non-executive directors						
Stephen J. Roy	10	–	–	–	–	10
Joseph P. Sellinger	10	–	–	–	–	10
John E. Szykiel	10	–	–	–	–	10
Total	41	–	–	–	–	41

Details of the share-based compensations to the directors of the Target Company for the Relevant Periods are set out in note 23.

There is no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods. No emoluments were paid by the Target Group to the directors or any of the highest paid individuals as set out in note 12(b) of the Target Group as an inducement to join or upon joining the Target Group or as compensation for loss of office.

(b) Five highest paid individuals

The five highest paid individuals in the Target Group for the Relevant Periods included nil director for the years ended 31 March 2014, 2015 and 2016 and one director for the three months ended 30 June 2016 (three months ended 30 June 2015 (unaudited): nil director). The emolument of the non-director highest paid individuals during the Relevant Periods were as follow:

	Year ended 31 March			Three months ended	
	2014	2015	2016	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				(Unaudited)	
Salaries, allowances, bonuses and benefits in kind	1,745	1,460	1,711	346	214
Contribution to defined contribution plan	18	17	18	5	4
Share-based compensation	494	125	262	4	3
	<u>2,257</u>	<u>1,602</u>	<u>1,991</u>	<u>355</u>	<u>221</u>

The number of non-director highest paid individuals whose remuneration fell within the following bands:

	Year ended 31 March			Three months ended	
	2014	2015	2016	2015	2016
				(Unaudited)	
Nil to HK\$1,000,000	–	–	–	5	4
HK\$1,000,001 to HK\$1,500,000	–	1	–	–	–
HK\$1,500,001 to HK\$2,000,000	–	–	1	–	–
HK\$2,000,001 to HK\$2,500,000	2	3	1	–	–
HK\$2,500,001 to HK\$3,000,000	2	–	2	–	–
HK\$4,000,001 to HK\$4,500,000	–	1	–	–	–
HK\$4,500,001 to HK\$5,000,000	–	–	1	–	–
HK\$7,000,001 to HK\$7,500,000	1	–	–	–	–
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>4</u>

13. Property, plant and equipment – Target Group

	Freehold land US\$'000	Buildings US\$'000	Building improvements US\$'000	Machineries and equipment US\$'000	Office furniture and equipment US\$'000	Motor vehicles US\$'000	Construction in progress US\$'000	Total US\$'000
At 1 April 2013								
Cost	1,683	5,092	1,974	6,627	1,039	17	89	16,521
Accumulated depreciation	–	(1,279)	(168)	(4,136)	(933)	(17)	–	(6,533)
Net carrying amount	1,683	3,813	1,806	2,491	106	–	89	9,988
Year ended 31 March 2014								
Opening net carrying amount	1,683	3,813	1,806	2,491	106	–	89	9,988
Additions	–	–	–	37	8	–	161	206
Depreciation	–	(92)	(74)	(871)	(62)	–	–	(1,099)
Disposals	–	(1,525)	–	(3)	–	–	–	(1,528)
Closing net carrying amount	1,683	2,196	1,732	1,654	52	–	250	7,567
At 31 March 2014 and 1 April 2014								
Cost	1,683	2,542	1,974	6,594	846	17	250	13,906
Accumulated depreciation	–	(346)	(242)	(4,940)	(794)	(17)	–	(6,339)
Net carrying amount	1,683	2,196	1,732	1,654	52	–	250	7,567
Year ended 31 March 2015								
Opening net carrying amount	1,683	2,196	1,732	1,654	52	–	250	7,567
Additions	–	–	–	157	–	–	142	299
Transfer	–	–	–	354	–	–	(354)	–
Depreciation	–	(92)	(73)	(835)	(40)	–	–	(1,040)
Closing net carrying amount	1,683	2,104	1,659	1,330	12	–	38	6,826
At 31 March 2015 and 1 April 2015								
Cost	1,683	2,542	1,974	6,376	606	17	38	13,236
Accumulated depreciation	–	(438)	(315)	(5,046)	(594)	(17)	–	(6,410)
Net carrying amount	1,683	2,104	1,659	1,330	12	–	38	6,826

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	Freehold land	Buildings	Building improvements	Machineries and equipment	Office furniture and equipment	Motor vehicles	Construction in progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Year ended 31 March 2016								
Opening net carrying amount	1,683	2,104	1,659	1,330	12	–	38	6,826
Additions	–	–	–	–	5	83	62	150
Transfer	–	–	–	99	–	–	(99)	–
Depreciation	–	(92)	(73)	(742)	(13)	(4)	–	(924)
Disposals	–	–	–	(5)	–	–	–	(5)
Closing net carrying amount	1,683	2,012	1,586	682	4	79	1	6,047
At 31 March 2016 and 1 April 2016								
Cost	1,683	2,542	1,974	6,447	542	100	1	13,289
Accumulated depreciation	–	(530)	(388)	(5,765)	(538)	(21)	–	(7,242)
Net carrying amount	1,683	2,012	1,586	682	4	79	1	6,047
Three months ended 30 June 2016								
Opening net carrying amount	1,683	2,012	1,586	682	4	79	1	6,047
Additions	–	–	–	–	11	–	5	16
Depreciation	–	(23)	(18)	(110)	(2)	(4)	–	(157)
Closing net carrying amount	1,683	1,989	1,568	572	13	75	6	5,906
At 30 June 2016								
Cost	1,683	2,542	1,974	6,447	553	100	6	13,305
Accumulated depreciation	–	(553)	(406)	(5,875)	(540)	(25)	–	(7,399)
Net carrying amount	1,683	1,989	1,568	572	13	75	6	5,906

Property, plant and equipment – Target Company

	Building improvements US\$'000	Machineries and equipment US\$'000	Office furniture and equipment US\$'000	Motor vehicles US\$'000	Construction in progress US\$'000	Total US\$'000
At 1 April 2013						
Cost	79	6,627	1,039	17	89	7,851
Accumulated depreciation	(4)	(4,136)	(933)	(17)	–	(5,090)
Net carrying amount	75	2,491	106	–	89	2,761
Year ended 31 March 2014						
Opening net carrying amount	75	2,491	106	–	89	2,761
Additions	–	37	8	–	161	206
Depreciation	(2)	(871)	(62)	–	–	(935)
Disposals	–	(3)	–	–	–	(3)
Closing net carrying amount	73	1,654	52	–	250	2,029
At 31 March 2014 and 1 April 2014						
Cost	79	6,594	846	17	250	7,786
Accumulated depreciation	(6)	(4,940)	(794)	(17)	–	(5,757)
Net carrying amount	73	1,654	52	–	250	2,029
Year ended 31 March 2015						
Opening net carrying amount	73	1,654	52	–	250	2,029
Additions	–	157	–	–	142	299
Transfer	–	354	–	–	(354)	–
Depreciation	(3)	(835)	(40)	–	–	(878)
Closing net carrying amount	70	1,330	12	–	38	1,450
At 31 March 2015 and 1 April 2015						
Cost	79	6,376	606	17	38	7,116
Accumulated depreciation	(9)	(5,046)	(594)	(17)	–	(5,666)
Net carrying amount	70	1,330	12	–	38	1,450

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	Buildings improvement US\$'000	Machineries and equipment US\$'000	Office furniture and equipment US\$'000	Motor vehicles US\$'000	Construction in progress US\$'000	Total US\$'000
Year ended 31 March 2016						
Opening net carrying amount	70	1,330	12	–	38	1,450
Additions	–	–	5	83	62	150
Transfer	–	99	–	–	(99)	–
Depreciation	(3)	(742)	(13)	(4)	–	(762)
Disposals	–	(5)	–	–	–	(5)
Closing net carrying amount	67	682	4	79	1	833
At 31 March 2016 and 1 April 2016						
Cost	79	6,447	542	100	1	7,169
Accumulated depreciation	(12)	(5,765)	(538)	(21)	–	(6,336)
Net carrying amount	67	682	4	79	1	833
Three months ended 30 June 2016						
Opening net carrying amount	67	682	4	79	1	833
Additions	–	–	11	–	5	16
Depreciation	–	(110)	(2)	(4)	–	(116)
Closing net carrying amount	67	572	13	75	6	733
At 30 June 2016						
Cost	79	6,447	553	100	6	7,185
Accumulated depreciation	(12)	(5,875)	(540)	(25)	–	(6,452)
Net carrying amount	67	572	13	75	6	733

14. Intangible assets – Target Group and Target Company

Intangible assets represented patents and trademarks held by the Target Group and the Target Company.

	31 March		30 June	
	2014	2015	2016	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
At beginning of the year/period				
Cost	1,227	1,282	1,311	1,342
Accumulated amortisation	<u>(910)</u>	<u>(948)</u>	<u>(969)</u>	<u>(995)</u>
Net carrying amount	<u>317</u>	<u>334</u>	<u>342</u>	<u>347</u>
For the year/period ended				
Opening net carrying value	317	334	342	347
Additions	55	29	31	4
Amortisation	<u>(38)</u>	<u>(21)</u>	<u>(26)</u>	<u>(6)</u>
Net carrying amount	<u>334</u>	<u>342</u>	<u>347</u>	<u>345</u>
At end of the year/period				
Cost	1,282	1,311	1,342	1,346
Accumulated amortisation	<u>(948)</u>	<u>(969)</u>	<u>(995)</u>	<u>(1,001)</u>
Net carrying amount	<u>334</u>	<u>342</u>	<u>347</u>	<u>345</u>

Amortisation of US\$5,000, US\$2,000, nil and nil were included in the “cost of sales” in the consolidated statement of comprehensive income and US\$33,000, US\$19,000, US\$26,000 and US\$6,000 were included in “general operating expenses” for the years ended 31 March 2014, 2015 and 2016 and for the three months ended 30 June 2016 respectively (three months ended 30 June 2015 (unaudited): nil in “cost of sales” and US\$4,000 in “general operating expenses” respectively).

15. Inventories – Target Group and Target Company

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Raw materials	7,540	7,262	7,280	7,301
Work in progress	84	25	45	101
Finished goods	<u>2,433</u>	<u>2,067</u>	<u>1,786</u>	<u>1,651</u>
	<u>10,057</u>	<u>9,354</u>	<u>9,111</u>	<u>9,053</u>

16. Trade receivables – Target Group and Target Company

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables	<u>322</u>	<u>513</u>	<u>345</u>	<u>623</u>

At the end of each of the Relevant Periods, the Target Group reviews receivables for evidence of impairment on both an individual and collective basis. Impairment losses in respect of trade receivables are recorded using an allowance account unless the Target Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly during the Relevant Periods.

During the years ended 31 March 2014, 2015 and 2016 and three months ended 30 June 2016, trade receivables of approximately US\$3,838,000, US\$2,000, US\$105,000 and nil were written off in respect of the trade debts due from customers which were considered as uncollectable.

Movement on the Target Group's allowance for impairment of trade receivables are as follows:

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	US\$'000	US\$'000	US\$'000	US\$'000
At beginning of the year/period	3,838	–	–	–
Provision for trade receivables impairment	–	–	–	–
Trade receivables written off during the year/ period as uncollectible	<u>(3,838)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net carrying amount	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The Target Group has a policy of allowing trade customers with credit terms of generally within 30 days. The ageing analysis of trade receivables as at the end of each reporting period, net of impairment and based on invoice date, is as follows:

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	US\$'000	US\$'000	US\$'000	US\$'000
0 to 90 days	239	483	344	622
91 to 180 days	36	25	1	–
Over 180 days	<u>47</u>	<u>5</u>	<u>–</u>	<u>1</u>
	<u>322</u>	<u>513</u>	<u>345</u>	<u>623</u>

The ageing analysis of the Target Group's trade receivables based on due date as at the end of each Relevant Periods is as follows:

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Neither past due nor impaired	227	411	216	549
Past due but not impaired:				
1 to 30 days past due	12	50	129	74
Over 30 days past due	<u>83</u>	<u>52</u>	<u>–</u>	<u>–</u>
	<u>95</u>	<u>102</u>	<u>129</u>	<u>74</u>
	<u>322</u>	<u>513</u>	<u>345</u>	<u>623</u>

The trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to customers that have good track record with the Target Group. The directors of the Target Company are of the opinion that no allowance for impairment of these trade receivables is necessary as there was no recent history of significant default in respect of these trade debtors. Trade receivables that were neither past due nor impaired related to a large number of independent customers that had a good track record of credit with the Target Group. In general, the Target Group does not hold any collateral or other credit enhancements over these balances.

The directors of the Target Company consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

17. Prepayments and other receivables – Target Group and Target Company

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Prepayments	264	267	272	274
Other receivables	<u>981</u>	<u>859</u>	<u>198</u>	<u>128</u>
	<u>1,245</u>	<u>1,126</u>	<u>470</u>	<u>402</u>

18. Cash and bank balances – Target Group and Target Company

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at banks and in hand	10,247	6,586	7,030	5,498
Fixed deposit	<u>63</u>	<u>–</u>	<u>–</u>	<u>–</u>
Cash and bank balances as stated in the consolidated statements of financial position	10,310	6,586	7,030	5,498
Fixed deposit with original maturity period over three months	<u>(63)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Cash and cash equivalent for the presentation of the consolidated statements of cash flows	<u>10,247</u>	<u>6,586</u>	<u>7,030</u>	<u>5,498</u>

All cash at bank balances were denominated in US\$. Cash at banks earned interest at floating rates based on daily bank deposit rates.

The fixed deposit earned 0.93% interest per annum, with an original maturity of 36 months, was fully redeemed during the year ended 31 March 2015.

19. Trade payables – Target Group and Target Company

As of the end of each reporting period, the ageing analysis of the Target Group's trade payables, based on the invoice date, is as follows:

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	US\$'000	US\$'000	US\$'000	US\$'000
0 to 90 days	<u>166</u>	<u>176</u>	<u>119</u>	<u>192</u>

20. Accrued liabilities, other payables and deferred income – Target Group and Target Company

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Accrued liabilities	536	528	452	366
Other payables	402	520	378	803
Receipt in advance	5	37	80	27
Deferred income	<u>–</u>	<u>197</u>	<u>177</u>	<u>172</u>
	943	1,282	1,087	1,368
Less: portion due within one year included under current liabilities	<u>761</u>	<u>837</u>	<u>798</u>	<u>1,037</u>
Non-current portion included under non-current liabilities	<u>182</u>	<u>445</u>	<u>289</u>	<u>331</u>

21. Provisions – Target Group and Target Company

	Warranties	Claims from suppliers	Total
	US\$'000	US\$'000	US\$'000
	(note (a))	(note (b))	
At 1 April 2013	77	1,050	1,127
Provisions during the year	165	–	165
Utilised during the year	(67)	(133)	(200)
Reversal during the year (note (b))	<u>–</u>	<u>(141)</u>	<u>(141)</u>
At 31 March 2014 and 1 April 2014	175	776	951
Provisions during the year	74	–	74
Utilised during the year	<u>(65)</u>	<u>–</u>	<u>(65)</u>
At 31 March 2015 and 1 April 2015	184	776	960
Provisions during the year	102	–	102
Utilised during the year	(43)	–	(43)
Reversal during the year (note (b))	<u>–</u>	<u>(586)</u>	<u>(586)</u>
At 31 March 2016 and 1 April 2016	243	190	433
Provisions during the period	26	–	26
Utilised during the period	<u>(12)</u>	<u>–</u>	<u>(12)</u>
At 30 June 2016	<u>257</u>	<u>190</u>	<u>447</u>

Notes:

- (a) The Target Group provide warranties for certain products and undertake to repair or replace items that fail to perform satisfactorily. Provision is therefore made for the best estimate of the expected settlement under these sales agreements in respect of sales made at each of the end of the reporting period. The amount of provision takes into account the Target Group's sale volume and recent claim experience of the level of repairs and returns. The estimation is reviewed on ongoing basis and is revised when appropriate.
- (b) The Target Group executed a ten-year supply agreement (the "Supply Agreement") with CODA Automotive Inc. ("CODA") in July 2009 which provided a framework for CODA, or its manufacturing partner, to purchase the Target Group's electric propulsion systems for use in automobiles to be manufactured by CODA. On 1 May 2013, CODA filed for bankruptcy protection. As at 31 March 2014, trade receivables from CODA of US\$3,838,000, which considered as uncollectible, was written off.

To deal with the Supply Agreement with CODA, the Target Group entered into purchase contracts with certain suppliers to support the CODA program, some of which are non-cancellable by their terms. The directors of the Target Company expected to settle non-cancellable contracts with certain suppliers to the CODA program that will not be fulfilled due to the bankruptcy filing by CODA.

As at 31 March 2014, provision of US\$776,000 was made base on the best estimation of the directors of the Target Company. This liability was lower than the original amount the Target Group recorded of US\$1,050,000 as of 31 March 2013 as a result of negotiations and settlements the Target Group reached with some suppliers during the year ended 31 March 2014. Upon the negotiations and settlements, the provision was decreased by US\$141,000 which was below the originally estimated amount in prior year and the amount was credited to other income during the year ended 31 March 2014.

No progress with regard of the negotiations and settlements during the year ended 31 March 2015.

During the year ended 31 March 2016, further settlement was agreed with the suppliers and provisions of US\$586,000 was over-provided and the Target Group discharged the obligation of such settlement. The amount was credited to the other income accordingly.

22. Share capital – Target Group and Target Company

	Notes	Number of shares	Par value US\$'000
<i>Authorised:</i>			
Common stock of US\$0.01 each			
At 31 March 2014		50,000,000	500
At 31 March 2015		50,000,000	500
At 31 March 2016		75,000,000	750
At 30 June 2016		<u>75,000,000</u>	<u>750</u>
<i>Issued:</i>			
Common stock of US\$0.01 each			
At 1 April 2013		36,664,097	367
Shares issued under employee stock purchase plan		62,421	1
Subscription of new shares	(a)	2,864,872	29
Vesting of shares under stock bonus plan	(b)	166,231	1
Shares issued under stock option scheme	(c)	<u>20,146</u>	<u>—</u>
At 31 March 2014 and 1 April 2014		39,777,767	398
Shares issued under employee stock purchase plan		12,052	—
Vesting of shares under stock bonus plan	(b)	288,051	3
Awarded Shares retired in payment of withholding tax for employees		(82,939)	(1)
Shares issued under stock option scheme	(c)	<u>5,053</u>	<u>—</u>
At 31 March 2015 and 1 April 2015		39,999,984	400
Shares issued under employee stock purchase plan		62,932	1
Subscription of new shares	(a)	8,000,000	80
Vesting of shares under stock bonus plan	(b)	377,047	4
Awarded Shares retired in payment of withholding tax for employees		<u>(109,677)</u>	<u>(2)</u>
At 31 March 2016 and 1 April 2016		48,330,286	483
Shares issued under employee stock purchase plan		18,097	1
Vesting of shares under stock bonus plan	(b)	3,667	—
Awarded Shares retired in payment of withholding tax for employees		<u>(1,368)</u>	<u>—</u>
At 30 June 2016		<u>48,350,682</u>	<u>484</u>

Notes:

- (a) On 3 February 2014, the Target Company announced to offer 2,864,872 shares of its common stock and common stock purchase warrants, to purchase 1,432,436 shares of its common stock. In connection with the purchase of the common stock, each purchaser can receive a warrant equal to 0.5 of the number of shares of common stock purchased by the purchaser. The shares of common stock and warrants were issued separately but can only be purchased together. Each share of common stock and accompanying common stock purchase warrant was sold to investors at a price of US\$1.85 per share. The subscription was completed on 5 February 2014. Gross cash proceeds of US\$5,300,000 was received by the Target Company. On 3 February 2014, the Target Company also announced to issue warrants to the placement agent to purchase 57,297 shares of its common stock on substantially the same terms as the warrants issued to other subscribers on the same announcement date (i.e. 3 February 2014). All these warrants have an exercise price of US\$2.1275 per whole share of common stock, subject to adjustment, and exercisable at any time from 6 August 2014 to 5 August 2018 (both days inclusive).

On 29 October 2015, the Target Company announced to offer 8,000,000 shares of its common stock and common stock purchase warrants, to purchase 4,000,000 shares of its common stock. The shares of common stock and the warrants were sold in units, with each unit consisting of one share of common stock and 0.5 of a warrant. Each warrant gives the warrant holder the right to purchase one share of common stock. Each unit of common stock and warrant was sold at US\$0.8 per unit. The transaction was completed in 30 October 2015. Gross cash proceeds of US\$6,400,000 was received by the Target Company. The warrants can be exercisable for a term of four and one-half years commencing on the six-month anniversary of issuance. The warrants have an exercise price of US\$1.31 per whole share of common stock, subject to adjustment, and exercisable at any time from 30 April 2016 to 20 October 2020 (both days inclusive).

The shares of common stock and warrants were immediately separable and were issued separately.

For the Relevant Periods, no warrant was exercised and converted into common stock and no warrant was expired and lapsed.

As at 31 March 2014, 2015 and 2016 and 30 June 2016, 1,489,733, 1,489,733, 5,489,733 and 5,489,733 warrants were outstanding respectively.

- (b) During the years ended 31 March 2014, 2015 and 2016 and three months ended 30 June 2016, the stock bonus plan transferred 166,231, 288,051, 377,047 and 3,667 Awarded Shares to the awardees upon vesting of certain Awarded Shares.
- (c) During the Relevant Periods, the issued common stock of the Target Company was increased due to the exercise of stock options by directors and employees of the Target Group. Details of the stock options exercised during the Relevant Periods are summarised in note 23.3.

23. Share-based compensation

23.1 Employee stock purchase plan ("ESPP")

The Target Company has established a stock purchase plan under which eligible employees may contribute up to 10 percent of their quarterly compensation to purchase shares of the Target Company's common stocks at 85 percent of the fair market value at specified dates. During the Relevant Periods, the Target Group issued 62,421, 12,052, 62,932 and 18,097 shares of common stock for the years ended 31 March 2014, 2015 and 2016 and three months ended 30 June 2016 under the ESPP.

For the Relevant Periods, the Target Company had 700,000 shares of common stock authorized for issuance under the ESPP and 307,650, 295,598, 232,666 and 214,569 shares of common stock available for future issuance under the stock purchase plan.

Equity-settled share-based compensation expenses of US\$24,000, US\$6,000, US\$5,000 and US\$3,000 has been included in the consolidated statements of comprehensive income for the years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016 respectively (three months ended 30 June 2015 (unaudited): US\$1,000) with a corresponding increase in ESPP reserve.

23.2 Stock bonus plan

The Target Company has established a stock bonus plan administrated by the board of directors of the Target Company and grant stocks to directors and employees as additional compensation for services rendered. Vesting requirements for grant under the plan, if any, are determined by the board of directors of the Target Company at the time grant. The aggregate numbers of shares of common stock granted under the stock bonus plan held by directors of the Target Company are as follows:

	As at 31 March			As at 30 June	
	2014	2015	2016	2015	2016
				(Unaudited)	
	<i>Number of</i>	<i>Number of</i>	<i>Number of</i>	<i>Number of</i>	<i>Number of</i>
	<i>shares</i>	<i>shares</i>	<i>shares</i>	<i>shares</i>	<i>shares</i>
Joseph R. Mitchell (appointed with effect from 5 January 2016)	N/A	N/A	43,750	N/A	43,750
Donald W. Vanlandingham	48,443	53,910	58,710	53,910	58,710
Stephen J. Roy	48,443	52,945	56,545	52,945	56,545
Joseph P. Sellinger	44,086	48,588	54,188	48,588	54,188
John E. Szykiel	19,814	24,316	29,916	24,316	29,916
William Rankin (retired with effect from 30 April 2014)	44,898	N/A	N/A	N/A	N/A

As of 31 March 2014, 2015, 2016 and 30 June 2016, the stock bonus plan had 1,954,994, 2,254,994, 2,254,994 and 2,254,994 shares of common stock authorized and there were 47,149, 252,227, 233,641 and 235,215 shares of common stock available for future grant under the plan.

Equity-settled share-based compensation expenses of US\$325,000, US\$335,000 US\$309,000 and US\$23,000 has been included in the consolidated statements of comprehensive income for the years ended 31 March 2014, 2015 and 2016 and three months ended 30 June 2016 respectively (three months ended 30 June 2015 (unaudited): US\$68,000) with a corresponding increase in Awarded Shares reserve.

Details of common stocks granted under the stock bonus plans for the Relevant Periods are as follows:

	Number of shares under contract				
	At 1 April 2013	Granted during the year	Vested during the year	Lapsed/ cancelled during the year	At 31 March 2014
Directors					
Donald W. Vanlandingham	–	5,882	(5,882)	–	–
Stephen J. Roy	–	5,882	(5,882)	–	–
Joseph P. Sellinger	–	5,882	(5,882)	–	–
John E. Szykiel	–	5,882	(5,882)	–	–
William Rankin	–	7,143	(7,143)	–	–
	<u>–</u>	<u>30,671</u>	<u>(30,671)</u>	<u>–</u>	<u>–</u>
Employees					
In aggregate	<u>358,855</u>	<u>421,524</u>	<u>(135,560)</u>	<u>(3,840)</u>	<u>640,979</u>
Total	<u>358,855</u>	<u>452,195</u>	<u>(166,231)</u>	<u>(3,840)</u>	<u>640,979</u>

	Number of shares under contract					
	At 1 April 2014	Granted during the year	Vested during the year	Vested during the year but shares not yet issued	Lapsed/ cancelled during the year	At 31 March 2015
Directors						
Donald W. Vanlandingham	–	5,467	(5,467)	–	–	–
Stephen J. Roy	–	4,502	(4,502)	–	–	–
Joseph P. Sellinger	–	4,502	(4,502)	–	–	–
John E. Szykiel	–	4,502	(4,502)	–	–	–
William Rankin (retired with effect on 30 April 2014)	–	–	–	–	–	–
	<u>–</u>	<u>18,973</u>	<u>(18,973)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Employees						
In aggregate	<u>640,979</u>	<u>117,171</u>	<u>(269,078)</u>	<u>(15,811)</u>	<u>(41,222)</u>	<u>432,039</u>
Total	<u>640,979</u>	<u>136,144</u>	<u>(288,051)</u>	<u>(15,811)</u>	<u>(41,222)</u>	<u>432,039</u>

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	Number of shares under contract					At 31 March 2016
	At 1 April 2015	Granted during the year	Vested during the year	Lapsed/ cancelled during the year	Reclassification	
Directors						
Joseph R. Mitchell (appointed with effect from 5 January 2016)	-	-	-	-	22,853	22,853
Donald W. Vanlandingham	-	4,800	(4,800)	-	-	-
Stephen J. Roy	-	3,600	(3,600)	-	-	-
Joseph P. Sellinger	-	5,600	(5,600)	-	-	-
John E. Szykiel	-	5,600	(5,600)	-	-	-
	<u>-</u>	<u>19,600</u>	<u>(19,600)</u>	<u>-</u>	<u>22,853</u>	<u>22,853</u>
Employees						
In aggregate	432,039	4,000	(342,811)	(5,014)	(22,853)	65,361
Total	<u>432,039</u>	<u>23,600</u>	<u>(362,411)</u>	<u>(5,014)</u>	<u>-</u>	<u>88,214</u>

	Number of shares under contract					At 30 June 2016
	At 1 April 2016	Granted during the period	Vested during the period	Lapsed/ cancelled during the period		
Directors						
Joseph R. Mitchell	22,853	-	-	-	-	22,853
	<u>22,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,853</u>
Employees						
In aggregate	65,361	-	(3,667)	(1,573)	-	60,121
Total	<u>88,214</u>	<u>-</u>	<u>(3,667)</u>	<u>(1,573)</u>	<u>-</u>	<u>82,974</u>

	Number of shares under contract (Unaudited)					At 30 June 2015
	At 1 April 2015	Granted during the period	Vested during the period	Lapsed/ cancelled during the period		
Employees						
In aggregate	432,039	-	(3,667)	-	-	428,372
Total	<u>432,039</u>	<u>-</u>	<u>(3,667)</u>	<u>-</u>	<u>-</u>	<u>428,372</u>

No common stock granted to directors of the Target Company under stock bonus plan for the three months ended 30 June 2015 and 2016.

The fair value of the common stocks granted under stock bonus plan were determined by reference to the closing stock price reported by the NYSE at the date of grant.

Common stocks granted under stock bonus plan and weighted average fair value as at grant date are as follows for the Relevant Periods presented:

	Year ended 31 March				Three months ended 30 June				
	2014		2015		2016		2015 (Unaudited)		2016
	Number of shares	Weighted average share price as at grant date US\$	Number of shares	Weighted average share price as at grant date US\$	Number of shares	Weighted average share price as at grant date US\$	Number of shares	Weighted average share price as at grant date US\$	Number of shares
Unvested at 1 April	358,855	1.22	640,979	1.17	432,039	1.26	432,039	1.26	88,214
Granted	452,195	1.18	136,144	1.71	23,600	0.66	-	-	-
Vested	(166,231)	1.34	(303,862)	1.21	(362,411)	1.22	(3,667)	0.69	(3,667)
Lapsed/cancelled	(3,840)	1.25	(41,222)	1.28	(5,014)	3.95	-	-	(1,573)
	<u>640,979</u>		<u>432,039</u>		<u>88,214</u>		<u>428,372</u>		<u>82,974</u>
Unvested at 31 March/30 June		1.17		1.26		1.36		1.26	

23.3 Stock option plan

The Target Company has established a stock option plan to grant employees option to purchase certain amount of the shares of common stock at a pre-set designated exercise price after vesting periods. Options granted to employees generally have a ten year term and vest ratably over a three-year period and the maximum number of options that would be granted to an employee under the stock option plan in any calendar year is 500,000 options.

As of 31 March 2014, 2015, 2016 and 30 June 2016, the Target Company had 1,100,000, 2,100,000, 2,100,000 and 2,100,000 shares of common stock authorized for the Target Company's stock option plan and 14,870, 723,002, 525,095 and 571,849 shares of common stock available for future grant.

The Target Company also has adopted a stock option plan for directors pursuant to which directors may elect to receive stock options in lieu of cash compensation for their services as directors. Option terms range from three to ten years from the date of grant. Option exercise prices are equal to the fair value of common shares on the date of grant.

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		Number of stock options				
	Stock option type	At 1 April 2013	Granted during the year	Exercised during the year	Expired during the year	At 31 March 2014
Directors						
Donald W. Vanlandingham	F	17,413	–	–	(17,413)	–
	G	48,413	–	–	–	48,413
	I	58,095	–	–	–	58,095
	J	77,778	–	–	–	77,778
	L	–	14,383	–	–	14,383
		<u>201,699</u>	<u>14,383</u>	<u>–</u>	<u>(17,413)</u>	<u>198,669</u>
Stephen J. Roy	M	17,647	–	–	(17,647)	–
	F	11,574	–	–	–	11,574
	G	14,789	–	–	–	14,789
	I	25,926	–	–	–	25,926
	J	51,220	–	–	–	51,220
	L	–	14,383	–	–	14,383
		<u>121,156</u>	<u>14,383</u>	<u>–</u>	<u>(17,647)</u>	<u>117,892</u>
Joseph P. Sellinger	F	12,111	–	–	–	12,111
	G	17,500	–	–	–	17,500
	I	17,073	–	–	–	17,073
	J	56,757	–	–	–	56,757
	L	–	14,383	–	–	14,383
	M	17,647	–	–	(17,647)	–
		<u>121,088</u>	<u>14,383</u>	<u>–</u>	<u>(17,647)</u>	<u>117,824</u>
John E. Szykiel	K	36,741	–	–	–	36,741
	L	–	14,383	–	–	14,383
		<u>36,741</u>	<u>14,383</u>	<u>–</u>	<u>–</u>	<u>51,124</u>
William Rankin	A	103,500	–	–	(103,500)	–
	B	100,000	–	–	–	100,000
	C	45,000	–	–	–	45,000
	D	100,000	–	–	–	100,000
	E	139,818	–	–	(139,818)	–
	F	70,492	–	–	–	70,492
	G	139,640	–	–	–	139,640
	H	19,697	–	–	–	19,697
	I	29,213	–	–	–	29,213
	J	96,296	–	–	–	96,296
	L	–	17,808	–	–	17,808
		<u>843,656</u>	<u>17,808</u>	<u>–</u>	<u>(243,318)</u>	<u>618,146</u>
Total for directors		<u>1,324,340</u>	<u>75,340</u>	<u>–</u>	<u>(296,025)</u>	<u>1,103,655</u>
Employees						
In aggregate						
	A, B, C, D, E, F, G, M, P, Q, R, S, T, U	2,927,355	14,000	(20,146)	(694,289)	2,226,920
Total		<u>4,251,695</u>	<u>89,340</u>	<u>(20,146)</u>	<u>(990,314)</u>	<u>3,330,575</u>

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	Stock option type	Number of stock options					At 31 March 2015
		At 1 April 2014	Granted during the year	Exercised during the year	Expired during the year	Reclassification	
Directors							
Donald W. Vanlandingham	G	48,413	-	-	-	-	48,413
	I	58,095	-	-	-	-	58,095
	J	77,778	-	-	-	-	77,778
	L	14,383	-	-	-	-	14,383
	N	-	13,240	-	-	-	13,240
		<u>198,669</u>	<u>13,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>211,909</u>
Stephen J. Roy	F	11,574	-	-	(11,574)	-	-
	G	14,789	-	-	-	-	14,789
	I	25,926	-	-	(25,926)	-	-
	J	51,220	-	-	-	-	51,220
	L	14,383	-	-	-	-	14,383
	N	-	10,694	-	-	-	10,694
		<u>117,892</u>	<u>10,694</u>	<u>-</u>	<u>(37,500)</u>	<u>-</u>	<u>91,086</u>
Joseph P. Sellinger	F	12,111	-	-	-	-	12,111
	G	17,500	-	-	-	-	17,500
	I	17,073	-	-	-	-	17,073
	J	56,757	-	-	-	-	56,757
	L	14,383	-	-	-	-	14,383
	N	-	10,694	-	-	-	10,694
		<u>117,824</u>	<u>10,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,518</u>
John E. Szykiel	K	36,741	-	-	-	-	36,741
	L	14,383	-	-	-	-	14,383
	N	-	10,694	-	-	-	10,694
		<u>51,124</u>	<u>10,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,818</u>

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	Stock option type	Number of stock options					At 31 March 2015
		At 1 April 2014	Granted during the year	Exercised during the year	Expired during the year	Reclassification	
William Rankin (retired with effect from 30 April 2014) (Note)							
	B	100,000	–	–	(100,000)	–	–
	C	45,000	–	–	(45,000)	–	–
	D	100,000	–	–	–	(100,000)	–
	F	70,492	–	–	(70,492)	–	–
	G	139,640	–	–	(139,640)	–	–
	H	19,697	–	–	–	(19,697)	–
	I	29,213	–	–	–	(29,213)	–
	J	96,296	–	–	–	(96,296)	–
	L	17,808	–	–	–	(17,808)	–
		618,146	–	–	(355,132)	(263,014)	–
Total for directors		1,103,655	45,322	–	(392,632)	(263,014)	493,331
Employees In aggregate							
	B, C, D, E, F, G, M, N, P, Q, R, S, T, U	2,226,920	323,965	(5,053)	(333,102)	–	2,212,730
Other	D, H, I, J, L	–	–	–	–	263,014	263,014
Total		3,330,575	369,287	(5,053)	(725,734)	–	2,969,075

Note: Mr. William Rankin was retired as non-executive director of the Target Company with effect from 30 April 2014. His options become fully vested and exercisable as to all share remaining subject to the options on the date of retirement according to the incentive stock option agreements.

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	Stock option type	Number of stock options					At 31 March 2016
		At 1 April 2015	Granted during the year	Exercised during the year	Expired during the year	Reclassification	
Directors							
Joseph R. Mitchell (appointed with effect from 5 January 2016)	S	-	-	-	-	25,000	25,000
	T	-	-	-	-	24,193	24,193
	N	-	-	-	-	27,278	27,278
	O	-	67,808	-	-	-	67,808
		-	67,808	-	-	76,471	144,279
Donald W. Vanlandingham	G	48,413	-	-	-	-	48,413
	I	58,095	-	-	-	-	58,095
	J	77,778	-	-	(77,778)	-	-
	L	14,383	-	-	-	-	14,383
	N	13,240	-	-	-	-	13,240
	O	-	16,250	-	-	-	16,250
	211,909	16,250	-	(77,778)	-	150,381	
Stephen J. Roy	G	14,789	-	-	-	-	14,789
	J	51,220	-	-	-	-	51,220
	L	14,383	-	-	-	-	14,383
	N	10,694	-	-	-	-	10,694
	O	-	13,125	-	-	-	13,125
		91,086	13,125	-	-	-	104,211
Joseph P. Sellinger	F	12,111	-	-	-	-	12,111
	G	17,500	-	-	(17,500)	-	-
	I	17,073	-	-	-	-	17,073
	J	56,757	-	-	-	-	56,757
	L	14,383	-	-	-	-	14,383
	N	10,694	-	-	-	-	10,694
O	-	13,125	-	-	-	13,125	
	128,518	13,125	-	(17,500)	-	124,143	
John E. Szykiel	K	36,741	-	-	-	-	36,741
	L	14,383	-	-	-	-	14,383
	N	10,694	-	-	-	-	10,694
	O	-	13,125	-	-	-	13,125
		61,818	13,125	-	-	-	74,943
Total for directors		493,331	123,433	-	(95,278)	76,471	597,957
Employees							
In aggregate	E, F, G, N, O, P, Q, R, S, T, U	2,212,730	301,280	-	(491,535)	(76,471)	1,946,004
	Other	D, H, I, J, L	263,014	-	-	(245,206)	-
Total		2,969,075	424,713	-	(832,019)	-	2,561,769

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		Number of stock options				
	Stock option type	At 1 April 2016	Granted during the period	Exercised during the period	Expired during the period	At 30 June 2016
Directors						
Joseph R. Mitchell	S	25,000	–	–	–	25,000
	T	24,193	–	–	–	24,193
	N	27,278	–	–	–	27,278
	O	67,808	–	–	–	67,808
		<u>144,279</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>144,279</u>
Donald W. Vanlandingham	G	48,413	–	–	–	48,413
	I	58,095	–	–	–	58,095
	L	14,383	–	–	–	14,383
	N	13,240	–	–	–	13,240
	O	16,250	–	–	–	16,250
		<u>150,381</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>150,381</u>
Stephen J. Roy	G	14,789	–	–	–	14,789
	J	51,220	–	–	–	51,220
	L	14,383	–	–	–	14,383
	N	10,694	–	–	–	10,694
	O	13,125	–	–	–	13,125
		<u>104,211</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>104,211</u>
Joseph P. Sellinger	F	12,111	–	–	–	12,111
	I	17,073	–	–	–	17,073
	J	56,757	–	–	–	56,757
	L	14,383	–	–	–	14,383
	N	10,694	–	–	–	10,694
	O	13,125	–	–	–	13,125
		<u>124,143</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>124,143</u>
John E. Szykiel	K	36,741	–	–	–	36,741
	L	14,383	–	–	–	14,383
	N	10,694	–	–	–	10,694
	O	13,125	–	–	–	13,125
		<u>74,943</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>74,943</u>
Total for directors		<u>597,957</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>597,957</u>
Employees						
In aggregate	E, F, G, N, O, P, Q, U	1,946,004	–	–	(72,931)	1,873,073
Other	L	17,808	–	–	–	17,808
Total		<u>2,561,769</u>	<u>–</u>	<u>–</u>	<u>(72,931)</u>	<u>2,488,838</u>

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		Number of stock options (Unaudited)				
	Stock option type	At 1 April 2015	Granted during the period	Exercised during the period	Expired during the period	At 30 June 2015
Directors						
Donald W. Vanlandingham	G	48,413	–	–	–	48,413
	I	58,095	–	–	–	58,095
	J	77,778	–	–	–	77,778
	L	14,383	–	–	–	14,383
	N	13,240	–	–	–	13,240
		<u>211,909</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>211,909</u>
Stephen J. Roy	G	14,789	–	–	–	14,789
	J	51,220	–	–	–	51,220
	L	14,383	–	–	–	14,383
	N	10,694	–	–	–	10,694
		<u>91,086</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>91,086</u>
Joseph P. Sellinger	F	12,111	–	–	–	12,111
	G	17,500	–	–	–	17,500
	I	17,073	–	–	–	17,073
	J	56,757	–	–	–	56,757
	L	14,383	–	–	–	14,383
	N	10,694	–	–	–	10,694
		<u>128,518</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>128,518</u>
John E. Szykiel	K	36,741	–	–	–	36,741
	L	14,383	–	–	–	14,383
	N	10,694	–	–	–	10,694
		<u>61,818</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>61,818</u>
Total for directors		<u>493,331</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>493,331</u>
Employees						
In aggregate	E, F, G, N, P, Q, R, S, T, U	2,212,730	–	–	(39,604)	2,173,126
Other	D, H, I, J, L	263,014	–	–	–	263,014
Total		<u>2,969,075</u>	<u>–</u>	<u>–</u>	<u>(39,604)</u>	<u>2,929,471</u>

Details of the options are as follows:

Stock option type	Date of grant	Exercisable period	Exercise price
A	27 February 2004	27 February 2004 to 27 February 2014 for directors 27 February 2007 to 27 February 2014 for employees	US\$2.41
B	16 November 2004	16 November 2004 to 16 November 2014 for directors 16 November 2007 to 16 November 2014 for employees	US\$2.21
C	4 January 2005	4 January 2005 to 4 January 2015 for directors 4 January 2008 to 4 January 2015 for employees	US\$2.53
D	30 November 2005	30 November 2005 to 30 November 2015 for directors 30 November 2008 to 30 November 2015 for employees	US\$3.84
E	22 July 2008	22 July 2008 to 22 July 2013 for directors 22 July 2011 to 22 July 2018 for employees	US\$2.18
F	3 November 2009	3 November 2009 to 3 November 2014 for directors 3 November 2012 to 3 November 2013 for senior management 3 November 2012 to 3 November 2019 for employees	US\$4.73

Stock option type	Date of grant	Exercisable period	Exercise price
G	13 August 2010	13 August 2010 to 13 August 2020 for directors 13 August 2013 to 13 August 2018 for senior management 13 August 2013 to 13 August 2020 for employees	US\$2.63
H	1 December 2010	1 December 2010 to 1 December 2018 for directors	US\$1.92
I	3 August 2011	3 August 2011 to 3 August 2021 for directors	US\$2.04
J	8 August 2012	8 August 2012 to 8 August 2022 for directors	US\$0.79
K	1 November 2012	1 November 2012 to 1 November 2017 for directors	US\$0.88
L	7 August 2013	7 August 2013 to 7 August 2023 for directors	US\$1.19
M	23 July 2008	23 July 2008 to 23 July 2014 for directors 23 July 2011 to 23 July 2014 for employees	US\$2.18
N	19 August 2014	19 August 2014 to 19 August 2024 for directors 19 August 2017 to 19 August 2024 for directors	US\$1.71

Stock option type	Date of grant	Exercisable period	Exercise price
O	24 September 2015	24 September 2015 to 24 September 2025 for directors 24 September 2018 to 24 September 2025 for employees	US\$0.66
P	1 September 2010	1 September 2013 to 1 September 2020 for employees	US\$2.21
Q	1 July 2011	1 July 2014 to 1 July 2021 for employees	US\$2.40
R	2 November 2011	2 November 2014 to 2 November 2016 for employees	US\$2.10
S	1 June 2012	1 June 2015 to 1 June 2017 for employees	US\$1.03
T	12 July 2012	12 July 2015 to 12 July 2022 for employees	US\$0.89
U	1 May 2013	1 May 2016 to 1 May 2018 for employees	US\$0.69

Equity-settled share-based compensation expenses of US\$441,000, US\$347,000 US\$281,000 and US\$28,000 has been included in the consolidated statements of comprehensive income for the years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016 respectively (three months ended 30 June 2015 (unaudited): US\$71,000) with a corresponding increase in share options reserve.

ACCOUNTANT'S REPORT OF THE UQM GROUP

	Year ended 31 March			
	2014		2015	2016
Stock option type	U	L	N	O
Stock price	US\$0.69	US\$1.19	US\$1.71	US\$0.66
Exercise price	US\$0.69	US\$1.19	US\$1.71	US\$0.66
Expected volatility	81.25%	72.55%	76.17%	78.6%
Expected option life (<i>years</i>)	3.5	5	7.1	6.9
Risk free interest rate	0.65%	2.61%	2.4%	2.16%
Expected dividend yield	0%	0%	0%	0%

Stock options and weighted average exercise price are as follows for the Relevant Periods presented:

[illegible]

The options outstanding at 31 March 2014, 2015 and 2016 and 30 June 2016 had exercise price ranged from US\$0.69 to US\$4.73, US\$0.69 to US\$4.73, US\$0.66 to US\$4.73 and US\$0.66 to US\$4.73 respectively (30 June 2015 (Unaudited): from US\$0.69 to US\$4.73) and a weighted average remaining contractual life of 4.8 years, 5.5 years, 6.2 years and 6.2 years respectively.

24. Reserves – Target Group and Target Company

Details of the movements on the Target Group and the Target Company's reserves are as set out in the consolidated statements of changes in equity in section I.

Additional paid-in capital represented:

The share premium account mainly included shares issued at premium.

The warrant reserve represents the fair value assigned to the warrants. The fair value was determined using the Binominal option pricing model. Warrant reserve is transferred to share premium account upon the exercise of the warrants.

The ESPP reserve, Awarded Shares reserve and share option reserve (collectively referred to as equity compensation reserve) represent the cumulative expenses recognised on the granting of equity-settled share-based compensation to the directors and employees of the Target Group over the vesting periods.

25. Related party transactions

(a) In addition to the transactions and balances disclosed elsewhere in the Financial Information, no significant transactions were carried out with related parties.

(b) *Key management personnel compensation*

Compensation of key management personnel of the Target Group, being the members of the board of directors of the Target Company, is disclosed in note 12(a) to the Financial Information.

26. Operating lease commitments – Target Group and Target Company***As lessee***

The Target Group leases a rental premises under operating lease arrangements for initial period of one year which contains an option to renew the lease and renegotiate the terms at the expiry date or at dates mutually agreed between the Target Group and the landlords. None of the leases include contingent rentals.

At each of the reporting date, the Target Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 March			As at 30
	2014	2015	2016	June
	US\$'000	US\$'000	US\$'000	2016
				US\$'000
Within one year	<u>–</u>	<u>–</u>	<u>14</u>	<u>10</u>
	<u>–</u>	<u>–</u>	<u>14</u>	<u>10</u>

27. Financial risk management objectives and policies

Exposure to credit, liquidity and interest rate risks arises in the normal course of business of the Target Group's business.

The Target Group is exposed to a variety of financial risks in its ordinary course of operations. The financial risks included interest rate risk, credit risk and liquidity risk. The Target Group's exposure to these risks and the financial risk management policies and the exposures used by the Target Group to manage these risks are described below. The Target Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance. Risk management is carried out by key management under the policies approved by the directors of the Target Group. The Target Group does not have written risk management policies. However, the directors of the Target Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks on timely and effective manner. The risks associated with these financial instruments and the policies applied by the Target Group to mitigate these risks are set out below.

Categories of financial assets and liabilities

The carrying amounts of the Target Group's financial assets and liabilities recognised in the consolidated statements of financial position at the reporting dates are as follows:

	As at 31 March			As at
	2014	2015	2016	30 June
	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets				
Loans and receivables:				
Trade receivables	322	513	345	623
Other receivables	981	859	198	128
Cash and bank balances	<u>10,310</u>	<u>6,586</u>	<u>7,030</u>	<u>5,498</u>
	<u>11,613</u>	<u>7,958</u>	<u>7,573</u>	<u>6,249</u>
Financial liabilities				
Financial liabilities at amortised costs:				
Trade payables	166	176	119	192
Accrued liabilities and other payables	<u>938</u>	<u>1,048</u>	<u>830</u>	<u>1,169</u>
	<u>1,104</u>	<u>1,224</u>	<u>949</u>	<u>1,361</u>

Interest rate risk

The Target Group's exposure to interest rate risk relates principally to its cash at banks. The Target Group's policy is to minimise interest rate risk exposure. To achieve this, the Target Group regularly assesses and monitors its needs for cash with reference to its business plans and day-to-day operations. The Target Group currently does not have an interest rate hedging policy.

No sensitivity analysis of bank balances of the Target Group is presented as all balances carry interest rate generally at 0.2% for the Relevant Periods.

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Target Group. The Target Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business.

The Target Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Target Group's policy is to deal only with creditworthy counterparties.

The Target Group's management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Target Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Target Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. The Target Group has certain concentration of credit risk as 37%, 67%, 84% and 89% of the total trade receivables were due from the Target Group's top five customers as at 31 March 2014, 2015 and 2016 and 30 June 2016 respectively.

The credit risk of the Target Group's other major financial assets, mainly presented the cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Credit risk on cash and cash equivalents is mitigated as the balances were deposited in banks of high credit ratings.

Liquidity risk

The Target Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the Target Group's remaining contractual maturities of the Target Group's financial liabilities which are based on undiscounted cash flows and the earliest date the Target Group can be required to pay are summarised below.

APPENDIX II

ACCOUNTANT'S REPORT OF THE UQM GROUP

	Carrying amount US\$'000	Total contractual undiscounted cash flow US\$'000	On demand US\$'000	Less than 3 months US\$'000	3 to less than 12 months US\$'000	Over 1 year US\$'000
At 31 March 2014						
Trade payables	166	166	–	166	–	–
Accrued liabilities and other payables	938	938	756	–	–	182
	<u>1,104</u>	<u>1,104</u>	<u>756</u>	<u>166</u>	<u>–</u>	<u>182</u>
	Carrying amount US\$'000	Total contractual undiscounted cash flow US\$'000	On demand US\$'000	Less than 3 months US\$'000	3 to less than 12 months US\$'000	Over 1 year US\$'000
At 31 March 2015						
Trade payables	176	176	–	176	–	–
Accrued liabilities and other payables	1,048	1,048	780	–	–	268
	<u>1,224</u>	<u>1,224</u>	<u>780</u>	<u>176</u>	<u>–</u>	<u>268</u>
	Carrying amount US\$'000	Total contractual undiscounted cash flow US\$'000	On demand US\$'000	Less than 3 months US\$'000	3 to less than 12 months US\$'000	Over 1 year US\$'000
At 31 March 2016						
Trade payables	119	119	–	119	–	–
Accrued liabilities and other payables	830	830	698	–	–	132
	<u>949</u>	<u>949</u>	<u>698</u>	<u>119</u>	<u>–</u>	<u>132</u>
	Carrying amount US\$'000	Total contractual undiscounted cash flow US\$'000	On demand US\$'000	Less than 3 months US\$'000	3 to less than 12 months US\$'000	Over 1 year US\$'000
At 30 June 2016						
Trade payables	192	192	–	192	–	–
Accrued liabilities and other payables	1,169	1,169	990	–	–	179
	<u>1,361</u>	<u>1,361</u>	<u>990</u>	<u>192</u>	<u>–</u>	<u>179</u>

Currency risk

The Target Group is not exposed to significant currency risk during the Relevant Periods as no transactions are conducted in a foreign currency other than the functional currency of the operations to which the transaction relate.

Fair value

The directors of the Target Group considers that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated statements of financial position approximate their respective fair values at the end of each reporting period.

28. Capital management policies and procedures

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Target Group's overall strategy remains unchanged throughout the year.

The Target Group sets the amount of capital in proportion to its overall financing structure. The Target Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividend paid to shareholders, issue new shares, or redemption of existing debts.

The Target Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total bank and other borrowings less cash and cash equivalents. Adjusted capital comprises all components of equity.

For the Relevant Periods, the Target Group did not have bank and other borrowings. Therefore, the net debt to equity ratio for each of the reporting date is 0%.

29. Interest in a subsidiary – Target Company

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Unlisted, at cost	<u>4,172</u>	<u>4,172</u>	<u>4,172</u>	<u>4,172</u>
Amount due from a subsidiary	<u>1,366</u>	<u>1,204</u>	<u>1,042</u>	<u>1,001</u>

Particulars of the subsidiary as at each of the reporting date are as follows:

Name of subsidiary	Place of incorporation	Issued capital	Effective equity interest held by the Target Company	Principal activity
UQM Properties, Inc.	The US	US\$0	100%	Property holding

The amount due from a subsidiary is unsecured, interest-free and repayable upon demand.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 30 June 2016.

Yours faithfully,

BDO Limited

Certified Public Accountants

Lui Chi Kin

Practising Certificate Number P06162

Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF THE UQM GROUP

Set out below is the management discussion and analysis of the UQM Group for each of the three years ended 31 March 2014, 2015 and 2016, and three months ended 30 June 2016, which should be read in conjunction with the financial information of the UQM Group included in Appendix II to this circular.

(i) For the year ended 31 March 2014***Business review***

For the year ended 31 March 2014, the UQM Group continued to develop new variations of its product line to meet the expanding customer requirements and work on custom solutions for new prospective customers meeting their precise specifications. The UQM Group was also developing the next generation of PowerPhase[®] Pro products designed to be smaller, lighter weight, more energy efficient and producible at lower cost with equal or better performance than its current PowerPhase[®] Pro systems. Development targets include a substantial size reduction of the motor controller, adopting new generation components and control strategies.

Financial review

The total revenue of the UQM Group amounted to approximately US\$6,251,000 for the year ended 31 March 2014. The decrease in total revenue as compared to the corresponding period of 2013 was mainly driven by the decrease in revenue from contract services, and partially offset by the increase in product sales, which was attributable to the increased shipments of electric propulsion systems. Product sales and revenue from contract services amounted to approximately US\$6,136,000 and US\$115,000 respectively for the year ended 31 March 2014.

The total distribution costs and general operating expenses of the UQM Group were approximately US\$10,715,000 for the year ended 31 March 2014, representing the increase in research and development expenses as compared to the corresponding period of 2013, which was primarily attributable to the increased levels of cost-sharing on government research programs and offset by the decreased levels of product qualification and testing activities during the year. The UQM Group had a government grant from the Department of Energy (the “DOE Grant”) for reimbursement up to a maximum of US\$32.4 million. The DOE Grant provides funds to facilitate the manufacture and deployment of electric drive vehicles, batteries and electric drive vehicle components in the US. Reimbursement of costs under the DOE Grant was approximately US\$4,421,000 for the year ended 31 March 2014.

As a result of the foregoing, the net loss of the UQM Group was approximately US\$2,774,000 for the year ended 31 March 2014.

Liquidity, financial position and capital structure

Cash and cash equivalents and net assets of the UQM Group as at 31 March 2014 were approximately US\$10,310,000 and US\$27,775,000 respectively. The UQM Group had no outstanding bank borrowings as at 31 March 2014, accordingly, the gearing ratio (calculated as net debt divided by shareholders' equity plus net debt, of which net debt is defined to include all bank borrowings less cash and cash equivalents) is not applicable to the UQM Group. The current ratio of the UQM Group, determined as current assets over current liabilities, was 11.68 as at 31 March 2014. During the year ended 31 March 2014, the UQM Group did not have an interest rate hedging policy and financial instrument was used for hedging purpose.

The total assets and total liabilities of the UQM Group as at 31 March 2014 amounted to approximately US\$29,835,000 and US\$2,060,000 respectively. There was an increase in total equity primarily attributable to the subscription of UQM Common Stock with net cash proceeds of approximately US\$4.91 million in February 2014.

Exchange rates exposure

During the year ended 31 March 2014, almost all of the income and expenditure of the UQM Group were denominated in United States dollars, and the UQM Group had no significant exposure to foreign exchange fluctuations and therefore, had not taken any financial instruments for hedging purpose.

Significant investments, material acquisitions and disposals

No significant investment, material acquisition or disposal of subsidiaries and associated companies was entered into during the year ended 31 March 2014.

Contingent liabilities and capital commitment

As at 31 March 2014, the UQM Group did not have any material contingent liabilities and capital commitment.

Pledge of assets

As at 31 March 2014, none of the assets of the UQM Group was pledged.

Employees and remuneration policies

The UQM Group had a total of 60 employees as at 31 March 2014, of whom 59 are full-time employees. Remuneration packages were structured with reference to market conditions and individual qualifications and experience and subject to review on a regular basis. Share options may also be granted to the directors and employees of the UQM Group to attract, retain and incentivise them to work and make contribution towards the long term growth and development of the UQM Group.

In addition to the full-time employees, The UQM Group from time to time engaged the services of outside consultants and contract employees to meet peak workload or specialised program requirements. The UQM Group did not anticipate any difficulty in locating additional qualified engineers, technicians and production workers, if so required, to meet expanded research and development or manufacturing operations. Ongoing training was provided to all staff and every function with the UQM Group.

Future plans for material investments and acquisition of capital assets

As at 31 March 2014, the UQM Group did not have any future plan for material investments or capital assets.

(ii) For the year ended 31 March 2015***Business review***

For the year ended 31 March 2015, the UQM Group signed a ten-year cooperative production and supply agreement with the KESHI Group in Changzhou, China, which is a major manufacturer of vehicles used in the mining industry in China. The UQM Group had also achieved China Certification on its PowerPhase HD[®] 250 electric propulsion system that meets the China General Specifications for electrical machines and controllers for electric vehicles. Moreover, the UQM Group expanded into the fuel cell business and entered into several long-term supply agreements to provide electric power and controller systems, it was expected that the revenue and gross profits of the UQM Group would be improved over time as a result of such additions to its business.

Financial review

The total revenue of the UQM Group amounted to approximately US\$3,536,000 for the year ended 31 March 2015, representing a decrease of 43.4% compared to approximately US\$6,251,000 for the corresponding period of 2014. The decrease was mainly due to the reduced orders from customers of product sales under the pessimistic domestic market sentiment. The decrease in revenue for contract services was driven by a change in mix of contracts in process during the fiscal year 2015 and by decreased levels of customer funded research activities. Product sales and revenue from contract services amounted to approximately US\$3,219,000 and US\$317,000 respectively for the year ended 31 March 2015.

The total distribution costs and general operating expenses of the UQM Group were approximately US\$10,343,000 for the year ended 31 March 2015, representing a decrease of 3.5% compared to approximately US\$10,715,000 for the corresponding period of 2014. Coincident with the contractual end of the DOE Grant in January 2015, the UQM Group launched and re-deployed resources from production engineering to several new internally funded projects aimed at developing and significantly improving its product portfolio, therefore a significant increase in research and development expenditures and a reduction in production engineering costs were recorded. Due to the expiration of the DOE Grant, the reimbursement of costs under the DOE Grant decreased from approximately US\$4,421,000 for the corresponding period of 2014 to approximately US\$2,381,000 for the year ended 31 March 2015.

As a result of the foregoing, the net loss of the UQM Group was approximately US\$5,988,000 for the year ended 31 March 2015.

Liquidity, financial position and capital capital structure

Cash and cash equivalents and net assets of the UQM Group as at 31 March 2015 were approximately US\$6,586,000 and US\$22,329,000 respectively. The UQM Group had no outstanding bank borrowings as at 31 March 2015, accordingly, the gearing ratio (calculated as net debt divided by shareholders' equity plus net debt, of which net debt is defined to include all bank borrowings less cash and cash equivalents) is not applicable to the UQM Group. The current ratio of the UQM Group, determined as current assets over current liabilities, was 8.91 as at 31 March 2015. During the year ended 31 March 2015, the UQM Group did not have an interest rate hedging policy and no financial instrument was used for hedging purpose.

The total assets and total liabilities of the UQM Group as at 31 March 2015 amounted to approximately US\$24,747,000 and US\$2,418,000 respectively.

Exchange rates exposure

During the year ended 31 March 2015, almost all of the income and expenditure of the UQM Group were denominated in United States dollars, and the UQM Group had no significant exposure to foreign exchange fluctuations and therefore, had not taken any financial instruments for hedging purpose.

Significant investments, material acquisitions and disposals

No significant investment, material acquisition or disposal of subsidiaries and associated companies was entered into during the year ended 31 March 2015.

Contingent liabilities and capital commitment

As at 31 March 2015, the UQM Group did not have any material contingent liabilities and capital commitment.

Pledge of assets

As at 31 March 2015, none of the assets of the UQM Group was pledged.

Employees and remuneration policies

The UQM Group had a total of 58 employees as at 31 March 2015, of whom 56 are full-time employees. Remuneration packages were structured with reference to market conditions and individual qualifications and experience and subject to review on a regular basis. Share options may also be granted to the directors and employees of the UQM Group to attract, retain and incentivise them to work and make contribution towards the long term growth and development of the UQM Group.

In addition to the full-time employees, The UQM Group from time to time engaged the services of outside consultants and contract employees to meet peak workload or specialised program requirements. The UQM Group did not anticipate any difficulty in locating additional qualified engineers, technicians and production workers, if so required, to meet expanded research and development or manufacturing operations. Ongoing training was provided to all staff and every function with the UQM Group.

Future plans for material investments and acquisition of capital assets

As at 31 March 2015, the UQM Group did not have any future plan for material investments or capital assets.

(iii) For the year ended 31 March 2016***Business review***

For the year ended 31 March 2016, the UQM Group introduced the PowerPhase[®] HD(+) electric propulsion systems, which is a major improvement in UQM's motor system technology, offering an enhanced thermal path and an increase in continuous power of up to 25% for handling extreme duty drive cycles and steel grades for heavy duty vehicles. During the year, the UQM Group signed a ten-year supply agreement with ITL Efficiency Corporation in China, of which the PowerPhase Pro[®] 135 electric propulsion system will be sold to address the 6-8 meter shuttle bus market in China, with larger delivery truck and transit bus application slated to begin in early 2017 with the PowerPhase HD[®] 250 system. The UQM Group also expanded into the South American market with a key business relationship in Colombia with Creatti Labs SAS, an electric vehicle integrator that is designing the next generation EV transportation systems for Colombia and other South American markets.

Financial review

The total revenue of the UQM Group amounted to US\$4,681,000 for the year ended 31 March 2016, representing an increase of 32.4% compared to approximately US\$3,536,000 for the corresponding period of 2015. The increase was mainly driven by the increase in orders from customers, both domestically and internationally in the product sales, and partially offset by the decrease in revenue from contract services due to the decreased levels of customer funded research activities. Product sales and revenue from contract services amounted to approximately US\$4,593,000 and US\$88,000 respectively for the year ended 31 March 2016.

The total distribution costs and general operating expenses of the UQM Group were approximately US\$9,552,000 for the year ended 31 March 2016, representing a decrease of 7.6% compared to approximately US\$10,343,000 for the corresponding period of 2015. Coincident with the contractual end of the DOE Grant in 2015, the UQM Group launched and re-deployed resources from product engineering activities to several new internally funded projects aimed at developing and significantly improving its product portfolio, therefore a significant increase in research and development expenditures and a reduction in production engineering costs were recorded. With the expiration of the DOE Grant, the UQM Group did not receive any reimbursement of costs under the DOE Grant for the year ended 31 March 2016.

As a result of the foregoing, the net loss of the UQM Group was approximately US\$6,939,000 for the year ended 31 March 2016.

Liquidity, financial position and capital structure

Cash and cash equivalents and net assets of the UQM Group as at 31 March 2015 were approximately US\$7,030,000 and US\$21,711,000 respectively. The UQM Group had no outstanding bank borrowings as at 31 March 2016, accordingly, the gearing ratio (calculated as net debt divided by shareholders' equity plus net debt, of which net debt is defined to include all bank borrowings less cash and cash equivalents) is not applicable to the UQM Group. The current ratio of the UQM Group, determined as current assets over current liabilities, was 12.56 as at 31 March 2016. During the year ended 31 March 2016, the UQM Group did not have an interest rate hedging policy and no financial instrument was used for hedging purpose.

The total assets and total liabilities of the UQM Group as at 31 March 2016 amounted to approximately US\$23,350,000 and US\$1,639,000 respectively. There was an increase in total equity primarily attributable to the subscription of UQM Common Stock with net cash proceeds of approximately US\$5.78 million in November 2015.

Exchange rate exposure

During the year ended 31 March 2016, almost all of the income and expenditure of the UQM Group were denominated in United States dollars, and the UQM Group had no significant exposure to foreign exchange fluctuations and therefore, had not taken any financial instruments for hedging purpose.

Significant investments, material acquisitions and disposals

No significant investment, material acquisition or disposal of subsidiaries and associated companies was entered into during the year ended 31 March 2016.

Contingent liabilities and capital commitment

As at 31 March 2016, the UQM Group did not have any material contingent liabilities and capital commitment.

Pledge of assets

As at 31 March 2016, none of the assets of the UQM Group was pledged.

Employees and remuneration policies

The UQM Group had a total of 51 employees as at 31 March 2016, 49 of whom are full-time employees. Remuneration packages were structured with reference to market conditions and individual qualifications and experience and subject to review on a regular basis. Share options may also be granted to the directors and employees of the UQM Group to attract, retain and incentivise them to work and make contribution towards the long term growth and development of the UQM Group.

In addition to the full-time employees, The UQM Group from time to time engaged the services of outside consultants and contract employees to meet peak workload or specialised program requirements. The UQM Group did not anticipate any difficulty in locating additional qualified engineers, technicians and production workers, if so required, to meet expanded research and development or manufacturing operations. Ongoing training was provided to all staff and every function with the UQM Group.

Future plans for material investments and acquisition of capital assets

As at 31 March 2016, the UQM Group did not have any future plan for material investments or capital assets.

(iv) For the three months ended 30 June 2016***Business review***

During the three months ended 30 June 2016, the UQM Group commenced a development and production program with Eaton's Vehicle Group and Pi Innovo, both located in Michigan, the US. The collaboration of production of a full electric drivetrain system called the "UQM PowerPhaseDT" will support the overarching need for full transmission systems as enhanced performance and efficiency requirements are mandated by customer drive cycle needs as well as the need to reduce battery costs and meet more stringent environmental regulations.

Financial review

The total revenue of the UQM Group amounted to approximately US\$1,184,000 for the three months ended 30 June 2016, representing an increase of 67.7% compared to approximately US\$706,000 for the corresponding period of 2015. The increase was mainly driven by the increased shipments of electric propulsion systems offset by the decreased sales of fuel cell motor systems. Product sales and revenue from contract services amounted to approximately US\$1,173,000 and US\$11,000 respectively for the three months ended 30 June 2016.

The total distribution costs and general operating expenses of the UQM Group were approximately US\$2,650,000 for the three months ended 30 June 2016, representing an increase of 10.6% compared to approximately US\$2,395,000 for the corresponding period of 2015, such increase was attributable to additional legal and other expenses incurred during the quarter offset by a reduction of payroll in addition to lower overhead rates.

As a result of the foregoing, the net loss of the UQM Group was approximately US\$1,954,000 for the three months ended 30 June 2016.

Liquidity, financial position and capital structure

Cash and cash equivalents and net assets of the UQM Group as at 30 June 2016 were approximately US\$5,498,000 and US\$19,820,000 respectively. The UQM Group had no outstanding bank borrowings as at 30 June 2016, accordingly, the gearing ratio (calculated as net debt divided by shareholders' equity plus net debt, of which net debt is defined to include all bank borrowings less cash and cash equivalents) is not applicable to the UQM Group. The current ratio of the UQM Group, determined as current assets over current liabilities, was 9.29 as at 30 June 2016. During the three months ended 30 June 2016, the UQM Group did not have an interest rate hedging policy and no financial instrument was used for hedging purpose.

The total assets and total liabilities of the UQM Group as at 30 June 2016 amounted to approximately US\$21,827,000 and US\$2,007,000 respectively.

Exchange rates exposure

During the three months ended 30 June 2016, almost all of the income and expenditure of the UQM Group were denominated in United States dollars, and the UQM Group had no significant exposure to foreign exchange fluctuations and therefore, had not taken any financial instruments for hedging purpose.

Significant investments, material acquisitions and disposals

No significant investment, material acquisition or disposal of subsidiaries and associated companies was entered into during the year ended 30 June 2016.

Contingent liabilities and capital commitment

As at 30 June 2016, the UQM Group did not have any material contingent liabilities and capital commitment.

Pledge of assets

As at 30 June 2016, none of the assets of the UQM Group was pledged.

Employees and remuneration policies

The UQM Group had a total of 49 employees as at 30 June 2016, all of whom are full-time employees. Remuneration packages were structured with reference to market conditions and individual qualifications and experience and subject to review on a regular basis. Share options may also be granted to the directors and employees of the UQM Group to attract, retain and incentivise them to work and make contribution towards the long term growth and development of the UQM Group.

In addition to the full-time employees, The UQM Group from time to time engaged the services of outside consultants and contract employees to meet peak workload or specialised program requirements. The UQM Group did not anticipate any difficulty in locating additional qualified engineers, technicians and production workers, if so required, to meet expanded research and development or manufacturing operations. Ongoing training was provided to all staff and every function with the UQM Group.

Future plans for material investments and acquisition of capital assets

As at 30 June 2016, the UQM Group did not have any future plan for material investments or capital assets.

**(A) BASIS OF PREPARATION OF UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

The unaudited pro forma financial information (the “Unaudited Pro Forma Financial Information”) of the Enlarged Group, comprising the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2016, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2015, has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect as if the Acquisition had been completed on 30 June 2016 for the unaudited pro forma consolidated statement of financial position of the Enlarged Group and on 1 January 2015 for the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2016, which has been extracted from the interim report of the Company for the six months ended 30 June 2016 and the audited consolidated statement of financial position of the Target Group as at 30 June 2016, which has been extracted from the accountant’s report as set out in Appendix II to this circular, and adjusted in accordance with the unaudited pro forma adjustments described in the notes thereto, as if the Acquisition had been completed on 30 June 2016.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group are prepared based on the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2015, which have been extracted from the audited consolidated financial statements of the Group for year ended 31 December 2015, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Target Group for the year ended 31 March 2016, which have been extracted from the accountant’s report as set out in Appendix II to this circular, and adjusted in accordance with the unaudited pro forma adjustments described in the notes thereto, as if the Acquisition had been completed on 1 January 2015.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared based on a number of assumptions, estimates, uncertainties and currently available information to provide information of the Enlarged Group upon completion of the Acquisition. As the Unaudited Pro Forma Financial Information of the Enlarged Group is prepared for illustrative purpose only, and because of its hypothetical nature, it may not purport to describe the financial position, financial performance or cash flows of Enlarged Group had the Acquisition been completed on 30 June 2016 or 1 January 2015 to which it is made up to or at any future date. Furthermore, the Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position, financial performance or cash flows.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information of the Group as set out in Appendix I and other financial information contained elsewhere in this circular.

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UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(B) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group As at 30 June 2016 HK\$'000 (Note 1)	The Target Group As at 30 June 2016 US\$'000 (Note 1)	The Target Group As at 30 June 2016 HK\$'000 (Note 3)	Notes	Pro Forma Adjustments HK\$'000	Unaudited pro forma of the Enlarged Group As at 30 June 2016 HK\$'000
ASSETS AND LIABILITIES						
Non-current assets						
Property, plant and equipment	84,791	5,906	45,774	4(iii)(a)	31,551	162,116
Interest in an associate	19,685	–	–			19,685
Available-for-sale financial assets	71,714	–	–			71,714
Prepayments and deposits	58,149	–	–	4(i)	(23,250)	34,899
Finance lease receivables	10,026	–	–			10,026
Intangible assets	–	345	2,676	4(iii)(b)	21,708	24,384
Goodwill	–	–	–	4	47,854	47,854
	<u>244,365</u>	<u>6,251</u>	<u>48,450</u>			<u>370,678</u>
Current assets						
Inventories	40,567	9,053	70,163			110,730
Trade receivables	–	623	4,831			4,831
Finance lease receivables	7,683	–	–			7,683
Prepayments, deposits and other receivables	845,944	402	3,117			849,061
Amount due from a non- controlling shareholder of a subsidiary	2,418	–	–			2,418
Short-term investments	197,591	–	–			197,591
Pledged bank deposits	2,007	–	–			2,007
Cash and bank balances	820,775	5,498	42,606	4(i) 6	23,250 (7,500)	879,131
	<u>1,916,985</u>	<u>15,576</u>	<u>120,717</u>			<u>2,053,452</u>
Current liabilities						
Trade payables	3,798	192	1,501			5,299
Accruals, other payables and deferred income	21,941	1,037	8,034			29,975
Provisions	–	447	3,464			3,464
Tax payable	1,082	–	–			1,082
	<u>26,821</u>	<u>1,676</u>	<u>12,999</u>			<u>39,820</u>
Net current assets	<u>1,890,164</u>	<u>13,900</u>	<u>107,718</u>			<u>2,013,632</u>
Total assets less current liabilities	<u>2,134,529</u>	<u>20,151</u>	<u>156,168</u>			<u>2,384,310</u>

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UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	The Group As at 30 June 2016 HK\$'000 (Note 1)	The Target Group As at 30 June 2016 US\$'000 (Note 1)	The Target Group As at 30 June 2016 HK\$'000 (Note 3)	Notes	Pro Forma Adjustments HK\$'000	Unaudited pro forma of the Enlarged Group As at 30 June 2016 HK\$'000
Non-current liabilities						
Other payables and deferred income	–	331	2,562			2,562
Deferred tax liabilities	–	–	–	4(iv)	19,738	19,738
	–	331	2,562			22,300
Net assets	<u>2,134,529</u>	<u>19,820</u>	<u>153,606</u>			<u>2,362,010</u>
EQUITY						
Equity attributable to owners of the Company/ Target Company's equity						
Share capital	2,033,787	484	3,747	4(vii)	(3,747)	2,033,787
Reserves	65,086	19,336	149,859	4(vii) 6	(149,859) (7,500)	57,586
	2,098,873	19,820	153,606			2,091,373
Non-controlling interests	<u>35,656</u>	–	–	4(v)	234,981	<u>270,637</u>
Total equity	<u>2,134,529</u>	<u>19,820</u>	<u>153,606</u>			<u>2,362,010</u>

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UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(C) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP

	The Group Year ended 31 December 2015 HK\$'000 (Note 2)	The Target Group Year ended 31 March 2016 US\$'000 (Note 2)	The Target Group Year ended 31 March 2016 HK\$'000 (Note 3)	Notes	Pro Forma Adjustments HK\$'000	Unaudited pro forma of the Enlarged Group Year ended 31 December 2015 HK\$'000
Continuing operations						
Revenue	38,004	4,681	36,277			74,281
Cost of sales	(36,534)	(3,318)	(25,709)	5	(897)	(63,140)
Gross profit	1,470	1,363	10,568			11,141
Other income	28,222	1,250	9,687			37,909
Distribution costs	(225)	(1,140)	(8,836)	5	(82)	(9,143)
General operating expenses	(388,927)	(8,412)	(65,190)	5	(373)	(463,024)
				5	(1,034)	
				6	(7,500)	
Share of result of an associate	11,519	–	–			11,519
Loss before income tax	(347,941)	(6,939)	(53,771)			(411,598)
Income tax expense	(1,098)	–	–	5	884	(214)
Loss for the year from continuing operations	(349,039)	(6,939)	(53,771)			(411,812)
Discontinued operations						
Loss for the year from discontinued operations	(7,288)	–	–			(7,288)
Loss for the year	(356,327)	(6,939)	(53,771)			(419,100)
Other comprehensive income items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations	(25,007)	–	–			(25,007)
Release of translation reserve to profit or loss upon disposal of a subsidiary	(3,938)	–	–			(3,938)
Other comprehensive income for the year	(28,945)	–	–			(28,945)
Total comprehensive income for the year	<u>(385,272)</u>	<u>(6,939)</u>	<u>(53,771)</u>			<u>(448,045)</u>

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UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	The Group	The Target	The Target		Pro Forma	Unaudited pro
	Year ended	Group	Group		Adjustments	forma of the
	31 December	Year ended	Year ended			Enlarged Group
	2015	31 March	31 March			Year ended
	2015	2016	2016			2015
	HK\$'000	US\$'000	HK\$'000	Notes	HK\$'000	HK\$'000
	(Note 2)	(Note 2)	(Note 3)			
Loss for the year attributable to:						
Owners of the Company	(350,517)	(6,939)	(53,771)	4(v)	(870)	(390,022)
				4(v)	22,636	
				6	(7,500)	
Non-controlling interests	(5,810)	–	–	4(v)	(632)	(29,078)
				4(v)	(22,636)	
	<u>(356,327)</u>	<u>(6,939)</u>	<u>(53,771)</u>			<u>(419,100)</u>
Total comprehensive income						
for the year attributable to:						
Owners of the Company	(376,067)	(6,939)	(53,771)	4(v)	(870)	(415,572)
				4(v)	22,636	
				6	(7,500)	
Non-controlling interests	(9,205)	–	–	4(v)	(632)	(32,473)
				4(v)	(22,636)	
	<u>(385,272)</u>	<u>(6,939)</u>	<u>(53,771)</u>			<u>(448,045)</u>

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UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(D) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	The Group Year ended 31 December 2015 HK\$'000 (Note 2)	The Target Group Year ended 31 March 2016 US\$'000 (Note 2)	The Target Group Year ended 31 March 2016 HK\$'000 (Note 3)	Notes	Unaudited Pro Forma Adjustments HK\$'000	Unaudited pro forma of the Enlarged Group Year ended 31 December 2015 HK\$'000
Cash flows from operating activities of continuing and discontinued operations						
Loss before income tax						
Continuing operations	(347,941)	(6,939)	(53,771)	5	(1,352)	(411,598)
				5	(1,034)	
				6	(7,500)	
Discontinued operations	<u>(7,340)</u>	<u>—</u>	<u>—</u>			<u>(7,340)</u>
Total	(355,281)	(6,939)	(53,771)			(418,938)
Adjustments for:						
Loss on disposal of a subsidiary	6,890	—	—			6,890
Share of result of associate	(11,519)	—	—			(11,519)
Share-based compensation	127,400	595	4,611			132,011
Interest income	(11,137)	(8)	(62)			(11,199)
Interest expense	108	—	—			108
Depreciation of property, plant and equipment	12,413	924	7,161	5	1,352	20,926
Amortisation of intangible assets	—	26	202	5	1,034	1,236
Impairment of other investments	11,479	—	—			11,479
Fair value loss on derivative financial asset	4,326	—	—			4,326
Impairment of property, plant and equipment	3,704	—	—			3,704
Impairment of available- for-sale financial assets	4,971	—	—			4,971
Trade receivables written off	—	105	814			814
Impairment of other receivables	461	—	—			461
Inventories written off	—	10	78			78
Reversal of provision for claims from suppliers	—	(586)	(4,542)			(4,542)
Recovery of impairment of other receivables	(93)	—	—			(93)
Loss on disposal of property, plant and equipment	<u>308</u>	<u>—</u>	<u>—</u>			<u>308</u>

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UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	The Group Year ended 31 December 2015 HK\$'000 (Note 2)	The Target Group Year ended 31 March 2016 US\$'000 (Note 2)	The Target Group Year ended 31 March 2016 HK\$'000 (Note 3)	Notes	Unaudited Pro Forma Adjustments HK\$'000	Unaudited pro forma of the Enlarged Group Year ended 31 December 2015 HK\$'000
Operating loss before working capital changes	(205,970)	(5,873)	(45,509)			(258,979)
(Increase)/decrease in inventories	(4,003)	233	1,806			(2,197)
Decrease in trade receivables	–	63	488			488
Increase in bills receivable	(555)	–	–			(555)
(Increase)/decrease in other receivables, prepayments and deposits	(514,097)	656	5,084			(509,013)
Increase in finance lease receivables	(22,360)	–	–			(22,360)
Increase/(decrease) in trade payables	3,946	(57)	(442)			3,504
(Decrease)/increase in accruals, other payables and deferred income	(2,809)	391	3,030			221
Decrease in provisions	–	(527)	(4,084)			(4,084)
Cash used in operations	(745,848)	(5,114)	(39,627)			(792,975)
Interest paid	(108)	–	–			(108)
Income tax paid	(134)	–	–			(134)
Net cash used in operating activities	(746,090)	(5,114)	(39,627)			(793,217)
Cash flows from investing activities of continuing and discontinued operations						
Net cash inflow from disposal of a subsidiary	43,574	–	–			43,574
Net proceeds from disposal of contingent share consideration	30,212	–	–			30,212
Purchase of available-for-sale financial assets	(15,757)	–	–			(15,757)
Purchase of property, plant and equipment	(66,129)	(150)	(1,163)			(67,292)
Increase in short-term investments	(76,271)	–	–			(76,271)
Addition of intangible assets	–	(31)	(240)			(240)
Interest received	8,576	8	62			8,638
Prepayment for acquisition of property, plant and equipment	(845)	–	–			(845)
Proceeds from disposal of property, plant and equipment	968	5	39			1,007
Completion of capital injection to a subsidiary	46,800	–	–			46,800
Increase in structured bank deposits	(324,686)	–	–			(324,686)
Increase in pledged bank deposits	(804)	–	–			(804)
Net cash inflow from the Acquisition	–	–	–	4(ii)	51,039	51,039
Net cash used in investing activities	(354,362)	(168)	(1,302)			(304,625)

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UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	The Group Year ended 31 December 2015 <i>HK\$'000</i> <i>(Note 2)</i>	The Target Group Year ended 31 March 2016 <i>US\$'000</i> <i>(Note 2)</i>	The Target Group Year ended 31 March 2016 <i>HK\$'000</i> <i>(Note 3)</i>		Unaudited Pro Forma Adjustments <i>HK\$'000</i>	Unaudited pro forma of the Enlarged Group Year ended 31 December 2015 <i>HK\$'000</i>
Cash flows from financing activities of continuing and discontinued operations						
Proceeds from issuance of share capital	1,776,510	6,400	49,600			1,826,110
Share issue expenses	(6,812)	(622)	(4,823)			(11,635)
Proceeds from shares issued under share options scheme	133,810	–	–			133,810
Proceeds from shares issued under employee stock purchase plan	–	40	310			310
Awarded Shares retired in payment of withholding tax for employees	–	(92)	(713)			(713)
Proceeds from borrowings	<u>5,586</u>	<u>–</u>	<u>–</u>			<u>5,586</u>
<i>Net cash generated from financing activities</i>	<u>1,909,094</u>	<u>5,726</u>	<u>44,374</u>			<u>1,953,468</u>
Net increase in cash and cash equivalents	808,642	444	3,445			855,626
Cash and cash equivalents at beginning of the year	203,995	6,586	51,039	4(ii)	(51,039)	203,995
Effect of exchange rate fluctuation	<u>(12,817)</u>	<u>–</u>	<u>–</u>			<u>(12,817)</u>
Cash and cash equivalents at end of year	<u><u>999,820</u></u>	<u><u>7,030</u></u>	<u><u>54,484</u></u>			<u><u>1,046,804</u></u>

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The unaudited condensed consolidated statement of financial position of the Group as at 30 June 2016 was extracted from the published 2016 interim report of the Company and the audited consolidated statement of financial position of the Target Group as at 30 June 2016 was extracted from the accountant's report as set out in Appendix II to this Circular.
2. The audited consolidated statement of comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 December 2015 were extracted from the published annual report of the Company for the year ended 31 December 2015 and the audited consolidated statement of comprehensive income and audited consolidated statement of cash flows of the Target Group for the year ended 31 March 2016 were extracted from the accountant's report as set out in Appendix II to this Circular.
3. For the purpose of this Unaudited Pro Forma Financial Information, the amounts in the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Target Group for the year ended 31 March 2016 are converted into Hong Kong dollars using an exchange rate of US\$1 to HK\$7.75, being the average exchange rate adopted by the Company for the year ended 31 December 2015, and the amounts in the consolidated statement of financial position of the Target Group as at 30 June 2016 are converted into Hong Kong dollars using an exchange rate of US\$1 to HK\$7.75, being the closing exchange rate adopted by the Company as at 30 June 2016, respectively, unless otherwise stated, for illustration purpose only and such exchange conversion does not constitute a representation that any amount has been, could has been, or may otherwise be exchanged or converted at the above rates.
4. Pursuant to the stock issuance and purchase agreement dated 28 June 2016 and the amended restated stock issuance and purchase agreement dated 26 September 2016 (the "Agreements"), the Company will invest in the Target Company through subscription of an aggregate of 66,500,000 new shares of the common stocks of the Target Company at a total subscription price of US\$47,880,000 (approximately equivalent to HK\$371,070,000). Upon completion of Acquisition, the Company will hold approximately 58% of the issued shares of the Target Company's common stock.

The identifiable assets and liabilities of the Target Group acquired by the Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under acquisition accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised), "Business Combinations" ("HKFRS 3 (Revised)") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

APPENDIX IV

**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

The fair value of the identifiable net assets of the Target Group and the goodwill arising from the Acquisition are as follows:

	<i>Notes</i>	<i>HK\$'000</i>
Net assets value of the Target Group as at 30 June 2016 as set out in Appendix II		153,606
Add: Cash received for subscription of 66,500,000 new shares of the common stocks of the Target Company issued upon completion of the Acquisition	(i)	371,070
Fair value adjustments on property, plant and equipment	(iii)(a)	31,551
Fair value adjustments on intangible assets	(iii)(b)	21,708
Deferred tax liabilities arising from fair value adjustments	(iv)	<u>(19,738)</u>
Fair value of identifiable net assets acquired		<u>558,197</u>
	<i>Notes</i>	<i>HK\$'000</i>
Purchase consideration	(i)	371,070
Less: Fair value of identifiable net assets acquired		(558,197)
Add: Non-controlling interests	(v)	<u>234,981</u>
Goodwill		<u>47,854</u>

Notes

- (i) Pursuant to the Agreements, the consideration for the Acquisition is US\$47,880,000 (approximately equivalent to HK\$371,070,000), of which US\$3,000,000 (approximately equivalent to HK\$23,250,000) had been paid by the Group to an independent escrow agent and held in an escrow account as deposit (the "Deposit") before signing of the Agreements. The Deposit will be used as partial payment of the consideration and has been recognised as a non-current asset in the Group's unaudited condensed consolidated financial position as at 30 June 2016. The remaining US\$44,880,000 (approximately equivalent to HK\$347,820,000) shall be payable in cash within 2 days after the fulfillment of the conditions precedent to the Agreements.

For the purpose of unaudited pro forma consolidated statement of financial position of the Enlarged Group, a pro forma adjustment had been made for reclassifying the Deposit to cash and bank balances upon utilisation of the Deposit as part of the cash consideration for subscription of the new shares of the Target Company.

- (ii) As the Acquisition would be completed in a fully diluted basis by issuing additional 66,500,000 new shares of the common stocks of the Target Company to the Group at the consideration as mentioned in note 4(i), net assets value of the Target Group would increase accordingly due to cash consideration of HK\$371,070,000 received by the Target Group and included as part of the cash and bank balances acquired.

For the purpose of unaudited pro forma consolidated statement of financial position of the Enlarged Group, the consideration paid by the Group to the Target Group would eventually be within the Enlarged Group, which causes no impact on the cash and bank balances.

For the purpose of unaudited pro forma consolidated statement of cash flows of the Enlarged Group, the net cash inflow from the Acquisition represents the cash and bank balances held by the Target Group of US\$6,586,000 (approximately equivalent to HK\$51,039,000) as at 1 April 2015, as if the Target Group has been acquired by the Group at the beginning of the year.

- (iii) The identifiable assets and liabilities of the Target Group are recorded in the unaudited pro forma consolidated statement of financial position of the Enlarged Group at their fair values estimated by the directors of the Company with reference to the valuation performed by an independent professional qualified valuer, RHL Appraisal Limited, as at 30 June 2016 (the “Valuation Report”).

- (a) Pursuant to the Valuation Report, the fair value of property, plant and equipment of the Target Group as at 30 June 2016, which mainly comprised of freehold land, buildings, building improvements, machineries and equipment and office furniture and equipment, is approximately US\$9,977,000 (equivalent to approximately HK\$77,325,000). The differences between fair values and carrying amount of property, plant and equipment as at 30 June 2016 are attributable to the fair value revaluation of the freehold land, buildings and machineries and equipment. Accordingly, a pro forma adjustment of approximately US\$4,071,000 (equivalent to approximately HK\$31,551,000) has been made to adjust the property, plant and equipment of the Target Group to their fair value as at 30 June 2016.
- (b) Intangible assets represent trademarks and patented technology registered by the Target Group. Pursuant to the Valuation Report, the fair value of intangible assets of the Target Group as at 30 June 2016 is approximately US\$3,146,000 (equivalent to approximately HK\$24,384,000). A pro forma adjustment of approximately US\$2,801,000 (equivalent to approximately HK\$21,708,000) has been made to adjust the intangible assets of the Target Group to their fair value as at 30 June 2016.

Fair value of the property, plant and equipment and intangible assets of the Target Group shall be reassessed on the completion date of the Acquisition with reference to the valuation to be carried out by an independent valuer on that date and is therefore subject to change upon completion of the Acquisition.

- (iv) As mentioned in notes 4(iii)(a) and 4(iii)(b), the fair value of the property, plant and equipment and intangible assets of the Target Group as at 30 June 2016 has been revalued to approximately US\$9,977,000 and US\$3,146,000 respectively (equivalent to approximately HK\$77,325,000 and HK\$24,384,000 respectively), there was surplus in the fair value over the carrying amounts amounted to approximately US\$4,071,000 and US\$2,801,000 respectively (equivalent to approximately HK\$31,551,000 and HK\$21,708,000 respectively). In this regard, temporary differences arise as the

carrying amounts of the property, plant and equipment and intangible assets increased but the tax base remains unchanged. Thus, the deferred tax liabilities of the Target Group of approximately US\$2,547,000 (equivalent to approximately HK\$19,738,000) were recognised in respect of the temporary differences at the income tax rate of 37.06% prevailing in Colorado, the US.

- (v) Upon completion of the Acquisition, the Company holds approximately 58% of the issued shares of the Target Company's common stock while the non-controlling interests represent the remaining approximately 42% of equity interests in the Target Company.

For the purpose of unaudited pro forma consolidated statement of financial position of the Enlarged Group, the balance of non-controlling interests upon the completion of the Acquisition of US\$30,320,000 (equivalent to approximately HK\$234,981,000) represents the aggregate of the share of the non-controlling interests of the Target Company amounted to approximately US\$28,499,000 (equivalent to approximately HK\$220,870,000) and the effect of fair value adjustments on net identifiable assets as mentioned in notes 4(iii)(a), 4(iii)(b) and 4(iv) amounted to approximately US\$1,821,000 (equivalent to approximately HK\$14,111,000) as shared by the non-controlling interests.

For the purpose of the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group, the effect of the increase in loss for the year as set out in the pro forma adjustments in note 5 was US\$193,000 (equivalent to approximately HK\$1,502,000); in which US\$112,000 (equivalent to approximately HK\$870,000) was attributable to the owners of the Company while US\$82,000 (equivalent to approximately HK\$632,000) was attributable to the non-controlling interests.

For the purpose of the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group, regarding the loss for the year of the Target Group of US\$6,939,000 (equivalent to approximately HK\$53,771,000), US\$2,921,000 (equivalent to approximately HK\$22,636,000) was attributable to the non-controlling interests.

- (vi) When preparing the unaudited pro forma financial information, the directors of the Company has made a preliminary assessment, with reference to Hong Kong Accounting Standard 36, "Impairment of Assets", issued by the HKICPA, as to whether or not there is any indicator of impairment on goodwill and intangible assets arising from the Acquisition. Based on such preliminary assessment, the directors of the Company did not identify any impairment indicator in respect of the goodwill and intangible assets arising from the acquisition of the Target Group.

Consistent with the accounting policies adopted by the Group in preparing the consolidated financial statements, the amount of goodwill and intangible assets arising from the Acquisition that will be initially recognised in the Company's consolidated financial statements will be determined with reference to HKFRS 3 based on the fair value of the acquired assets and liabilities at the date of completion of the Acquisition. The directors of the Company will follow the Group's accounting policy in respect of assets impairment assessment, including the assessment of the impairment of goodwill and intangible assets arising from the Acquisition when preparing the Company's historical consolidated financial statements covering the period when the Acquisition is completed. The Company's annual consolidated financial statements will be subject to the audit by the Company's auditors in accordance with Hong Kong Standards of Auditing.

(vii) This pro forma adjustment represents the elimination of the Target Group's share capital and reserves of US\$484,000 and US\$19,336,000 respectively (equivalent to approximately HK\$3,747,000 and HK\$149,859,000 respectively) during the preparation of the Enlarged Group's unaudited pro forma consolidated statement of financial position.

5. The pro forma adjustments represent the additional depreciation and amortisation and corresponding income tax impact on the revalued portion of property, plant and equipment and intangible assets with the aggregate amount of approximately US\$193,000 (equivalent to approximately HK\$1,502,000) as if the Acquisition had been completed on 1 January 2015. The adjustment is expected to have a continuing financial effect on the Enlarged Group.

The additional depreciation arising from the surplus on revaluation of property, plant and equipment amounted to US\$174,000 (equivalent to approximately HK\$1,352,000) are provided on a straight-line basis over the remaining estimated useful lives of the assets, of which US\$115,000, US\$11,000 and US\$48,000 (equivalent to approximately HK\$897,000, HK\$82,000 and HK\$373,000 respectively) were charged to cost of sales, distribution costs and general operating expenses respectively.

The additional amortisation arising from the surplus on revaluation of intangible assets are provided on a straight-line basis over the remaining estimated useful lives of the intangible assets with the total amount of US\$133,000 (equivalent to approximately HK\$1,034,000) charged to general operating expenses.

As the abovementioned, the temporary differences arising from revaluation of assets narrowed as a result of the depreciation and amortisation of the assets. As such, deferred tax liabilities decreased by approximately US\$114,000 (equivalent to approximately HK\$884,000), and the amount was recognised as an income tax credit for the year.

6. The adjustment represents the estimated legal and professional fees and other direct expenses incurred in relation to the Acquisition of approximately HK\$7,500,000. This adjustment is not expected to have a continuing financial effect on the Enlarged Group. The amount is solely bore by the Group which cause no impacts to the non-controlling interests.
7. In the opinion of the directors of the Company, the fair value of contingent liabilities of the Target Group would be insignificant for the recognition on this Unaudited Pro Forma Financial Information.
8. Other than the above adjustments, no other adjustments had been made to reflect any trading result or other transactions of the Enlarged Group entered into subsequent to 31 December 2015. Unless stated otherwise, the adjustment above are not expected to have a continuing effect on the Enlarged Group.

The following is the text of a report from BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountant, in respect of the unaudited pro forma financial information as set out in this Appendix and prepared for the sole purpose of inclusion in this circular.

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**



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TO THE DIRECTORS OF HYBRID KINETIC GROUP LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hybrid Kinetic Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2016, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2015 and related notes as set out on pages 1 to 14 of Appendix IV of the Company’s circular dated 23 November 2016 (the “Circular”) in connection with the proposed investment in approximately 58% of the issued shares of UQM Technologies, Inc. on a fully diluted basis (the “Proposed Acquisition”). The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described on pages IV-1 to IV-2 of Appendix IV of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Acquisition on the Group’s financial position as at 30 June 2016 and the Group’s financial performance and cash flows for the year ended 31 December 2015 as if the Proposed Acquisition had taken place at 30 June 2016 and 1 January 2015 respectively. As part of this process, information about the Group’s financial position has been extracted by the directors of the Company from the Company’s interim report for the six months ended 30 June 2016, on which no review report has been published, and the Group’s financial performance and cash flows have been extracted by the directors of the Company from the Group’s financial statements for the year ended 31 December 2015, on which an independent auditor’s report has been published.

**DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL
INFORMATION**

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the date of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 30 June 2016 or 1 January 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited

Certified Public Accountants

Hong Kong

23 November 2016

Mr XU Jianguo (徐建國)

Mr Xu is the Chief Executive Officer of the Group and an executive Director. He holds a Master's Degree in mechanical engineering from the Shanghai Jiaotong University in the PRC. He is currently the vice-president of the global sourcing division in Hybrid Kinetic Motors Corporation, a wholly-owned subsidiary of the Company. Mr Xu has 20 year' experience in the field of mechanical engineering and automotive industries. Mr Xu started his automotive career in the Canadian based Magna International Group in 1999 and participated in multiple projects involving multi-national automakers where he displayed extensive experience and knowledge in automotive development process. He has rich experience in product development, engineering management, product planning, sourcing and supplier management. In 2008, Mr Xu was assigned to Magna Closures (Kunshan) Automotive Corporation as engineering manager to establish Magna technology center in China. Mr Xu has profound understanding in global automotive industry, especially China automotive industry. From 1991 to 1999, Mr Xu worked for the US based Structural Dynamics Research Corporation (SDRC), China Branch as computer-aided designing and engineering specialist, product manager and later as the regional manager of SDRC, China Branch. Mr Xu was one of the experts who played a key role in China computer-aided engineering development in the 1990s.

Dr HUANG Chunhua (黃春華)

Dr Huang is the Deputy Chairman of the Group and an executive Director. He holds a Bachelor of Economics Degree from the Wuhan University in China, an MBA and PhD in Marketing (focusing on corporate strategy) from the University of Strathclyde in Scotland. Dr Huang is also the vice-chairman of Hybrid Kinetic Motors Corporation, a wholly-owned subsidiary of the Company and a director of certain subsidiaries of the Company. Dr Huang was among the first generation China equity analysts and had in-depth knowledge about China's automotive and the transport infrastructure sectors, as well as red chip conglomerates.

Mr Enrico VASSALLO

Mr Vassallo is the chief executive officer of HK eBus Company Limited, a wholly owned subsidiary of the Company principally engaged in the promotion and development of new generation of new energy vehicles Mr Vassallo is primarily responsible for building a global bus business unit for the Group. Mr Vassallo obtained a degree in mechanical engineering from the University of Genoa, Italy. He has ample experience and knowledge in the automobile industry and the international markets. He had worked in the global bus and truck division of the Iveco Group (an Italian industrial vehicle manufacturing company based in Turin, Italy) for 15 years. He had also been the sales and marketing director (based in France, Lyon) for the Africa and the Middle East Regions of Iveco Irisbus. In 2011, he was the president of FPT Industrial, S.p.A, a division of Fiat Industrial, S.p.A, responsible for its operations in Latin America. He has also been the chief executive officer and an independent non-executive director of Optare plc, a bus and coach manufacturer, from October 2013 to January 2016.

Dr HOU Junwen (侯俊文)

Dr Hou is the Vice-President of the Company. Dr Hou has more than 20 years' experience in the field of engine and transmission manufacturing, powertrain (engine, transmission and axle) planning, powertrain program management and powertrain system calibration. He received his doctorate and master's degree in mechanical engineering from the University of Cincinnati, Cincinnati, Ohio, the US, his master of science degree in mechanical engineering (MSME), majoring in gear design and manufacturing, and his bachelor's degree in mechanical engineering from the Taiyuan University of Technology, Shanxi, the PRC. Before joining the Group, Dr Hou was a hypoid gear specialist in Chrysler LLC ("Chrysler") in Michigan, the US. During his service with Chrysler, Dr Hou had taken various managerial roles and responsibilities, including but not limited to hypoid gear design, gear set development, new axles programs, outside powertrain sales and process engineering.

Mr TING Kwok Kit, Johnny (丁國傑)

Mr Ting is an executive Director, the Chief Financial Officer and the Company Secretary of the Company. Mr Ting holds a Bachelor's Degree in Economics from the University of Victoria of Canada and a MBA from the City University of Hong Kong. Mr Ting is a fellow member of the Association of Chartered Certified Accountants and a member of the Certified General Accountants Association of Canada. He is also a fellow member of the Hong Kong Institute of Chartered Secretaries. Mr Ting has more than 15 years' experience in accounting, finance and corporate management. Mr Ting will, upon becoming a director of UQM, primarily responsible for overseeing (in conjunction with the senior management of the UQM Group) and providing advice on corporate financial reporting, legal and information technology affairs of the UQM Group to ensure that the dissemination of information, the corporate activities and other exercises of or relating to the UQM Group are in compliance with the Listing Rules and other laws, rules and regulations applicable to the Company.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

SHARE CAPITAL**(a) Share capital**

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

<i>Authorised share capital</i>	<i>HK\$</i>
800,000,000,000 Shares	<u>80,000,000,000.00</u>
<i>Issued and fully paid share capital</i>	<i>HK\$</i>
20,337,872,747 Shares	<u>2,033,787,274.70</u>

All the existing Shares rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital.

(b) Share options

Save for the options carrying the rights to subscribe for up to a total of 1,831,000,000 Shares at the exercise prices ranging from HK\$0.108 to HK\$0.395 granted under the share option scheme adopted by the Company on 12 June 2013, there were no outstanding options of the Company as at the Latest Practicable Date.

(c) Convertible securities

As at the Latest Practicable Date, none of the members of the Group has granted any options, warrants or other rights to call for the issue of or agreed to issue any share or loan capital or any instrument convertible into or exchangeable for shares of such capital, and none of the members of the Group is a party to or otherwise bound by any agreement for the purchase or repurchase of shares of any member of the Group.

DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO); or (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange:

(1) Interests in Shares

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding (Note 4)
Yeung Yung	Controlled Corporation	2,673,071,189 (Note 1)	13.14%
	Beneficial owner	<u>68,140,000</u>	<u>0.34%</u>
		2,741,211,189 (Note 2)	13.48%
Xu Jianguo	Beneficial owner	30,000,000	0.15%
Hui Wing Sang, Wilson	Beneficial owner	2,904,000	0.01%
Huang Chunhua	Beneficial owner	65,000,000	0.32%
Wang Chuantao	Beneficial owner	30,000,000	0.15%
Liu Stephen Quan	Founder of trust Interest of children under 18	281,760,000 (Note 3)	1.39%
	Beneficial owner	<u>10,000,000</u>	<u>0.05%</u>
		291,760,000	1.44%
Zhu Shengliang	Beneficial owner	22,043,883	0.11%
Li Zhengshan	Beneficial owner	26,270,000	0.13%
Ting Kwok Kit, Johnny	Beneficial owner	3,000,000	0.01%
Chen Xiao	Beneficial owner	25,000,000	0.12%
Cheng Tat Wa	Beneficial owner	1,300,000	0.01%
Chan Sin Hang	Beneficial owner	500,000	0.002%

Notes:

- (1) 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) is deemed to be interested in the Shares held by Sun East LLC under Part XV of the SFO. Dr Yeung Yung is an executive Director.
- (2) The spouse of Dr Yeung Yung is deemed to be interested in the Shares in which Dr Yeung Yung is interested or deemed to be interested in by virtue of Part XV of the SFO.
- (3) These Shares are indirectly held by certain trusts of which Mr Liu Stephen Quan is the founder. The children of Mr Liu are eligible beneficiaries of the trusts. Mr Liu is deemed to be interested in these Shares by virtue of Part XV of the SFO.
- (4) The percentage of shareholding is calculated on the basis of 20,337,872,747 Shares in issue as at the Latest Practicable Date 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) Interests in share options of the Company

Name of Director	Date of grant	Exercisable period	Exercise price (HK\$)	No. of underlying Shares subject to outstanding options	Approximate percentage of shareholding (Note)
Xu Jianguo	20 November 2014	20 November 2014 to 19 November 2024	0.201	50,000,000	0.25%
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	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	50,000,000	
				137,000,000	0.67%

APPENDIX VI

GENERAL INFORMATION

Name of Director	Date of grant	Exercisable period	Exercise price (HK\$)	No. of underlying Shares subject to outstanding options	Approximate percentage of shareholding (Note)
Huang Chunhua	20 November 2014	20 November 2014 to 19 November 2024	0.201	50,000,000	0.25%
Wang Chuantao	20 November 2014	20 November 2014 to 19 November 2024	0.201	30,000,000	0.15%
Liu Stephen Quan	6 September 2013	6 September 2013 to 5 September 2023	0.108	10,000,000	0.05%
Zhu Shengliang	6 September 2013	6 September 2013 to 5 September 2023	0.108	20,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	20,000,000	
				40,000,000	0.20%
Li Zhengshan	6 September 2013	6 September 2013 to 5 September 2023	0.108	20,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	50,000,000	
				70,000,000	0.34%
Ting Kwok Kit, Johnny	6 September 2013	6 September 2013 to 5 September 2023	0.108	32,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	25,000,000	
				57,000,000	0.28%
Chen Xiao	20 November 2014	20 November 2014 to 19 November 2024	0.201	50,000,000	0.25%
Xia TingKang, Tim	6 September 2013	6 September 2013 to 5 September 2023	0.108	10,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	10,000,000	
				20,000,000	0.10%
Wong Lee Hing	29 July 2014	29 July 2014 to 28 July 2024	0.1136	7,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	2,000,000	
				9,000,000	0.04%

APPENDIX VI

GENERAL INFORMATION

Name of Director	Date of grant	Exercisable period	Exercise price (HK\$)	No. of underlying Shares subject to outstanding options	Approximate percentage of shareholding (Note)
Song Jian	6 September 2013	6 September 2013 to 5 September 2023	0.108	10,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	10,000,000	
				20,000,000	0.10%
Zhu Guobin	6 September 2013	6 September 2013 to 5 September 2023	0.108	10,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	10,000,000	
				20,000,000	0.10%
Cheng Tat Wa	20 November 2014	20 November 2014 to 19 November 2024	0.201	5,000,000	0.02%
Li Jianyong	6 September 2013	6 September 2013 to 5 September 2023	0.108	10,000,000	
	20 November 2014	20 November 2014 to 19 November 2024	0.201	20,000,000	
				30,000,000	0.15%
Chan Sin Hang	20 November 2014	20 November 2014 to 19 November 2024	0.201	4,500,000	0.02%

Note:

The percentage of shareholding is calculated on the basis of 20,337,872,747 Shares in issue as at the Latest Practicable Date.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WITH INTERESTS IN THE COMPANY WHICH ARE DISCLOSEABLE UNDER SECTION 336 OF PART XV OF THE SFO

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, no person (other than a Director or chief executive of the Company) had or was deemed or taken to have an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Long position in the Shares

Name of Shareholder	Capacity	Number of issued Shares held	Approximate percentage of shareholding (Note 4)
Sun East LLC	Beneficial owner (Note 1)	2,673,071,189	13.14%
Yeung Yung	Interest of controlled corporation (Note 2)	2,673,071,189	13.14%
	Beneficial owner (Note 3)	68,140,000	0.34%
		<u>2,741,211,189</u>	<u>13.48%</u>

Notes:

- (1) 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 (ii) 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) is deemed to be interested in the Shares held by Sun East LLC by virtue of Part XV of the SFO. Dr Yeung Yung is an executive Director.

- (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 to be interested in under Part XV of the SFO.

- (3) These 68,140,000 Shares were directly held by Dr Yeung Yung, in which his spouse is deemed to be interested in under Part XV of the SFO.
- (4) The percentage of shareholding is calculated on the basis of 20,337,872,747 Shares in issue as at the Latest Practicable Date 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.

LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring nor terminable by the Group within a year without payment of any compensation (other than statutory compensation).

DIRECTORS' INTEREST IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2015 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Group.

COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective associates was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business.

MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, they are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

MATERIAL CONTRACTS

Saved as disclosed below, no other contract (not being contracts in the ordinary course of business) had been entered into by any member of the Group within two years immediately preceding the date of this circular and up to the Latest Practicable Date which are or may be material:

- (a) the 21 several subscription agreements all dated 2 December 2014 entered into by the Company (as issuer) with 21 several subscribers (all are Independent Third Parties and included professional and other private investors) in respect of the subscriptions of an aggregate of 1,780,235,000 new Shares at the total subscription price of HK\$284,837,600 (equal to HK\$0.16 per subscription share) (which subscriptions were all completed on 16 December 2014 with all the 1,780,235,000 new Shares having been successfully subscribed for by the 21 subscribers pursuant to the respective terms of the subscription agreements concerned);
- (b) the placing agreement dated 12 December 2014 entered into between (i) the Headland Co., Limited, Ms Wenren Hongyan and Mr Wenren Hongquan (as vendors), (ii) the Company and Hybrid Kinetic Power Battery Holdings Limited (“HK-Power”), a wholly-owned subsidiary of the Company (as assignees) and (iii) Guotai Junan Securities (Hong Kong) Limited (as placing agent) in respect of the placing, on a best effort basis, of an aggregate of 457,324,692 issued Shares following completion of the disposal by HK-Power of its 75% equity interest in Zhejiang GBS Energy Co., Ltd. to the vendors (the “GBS Equity Interest Disposal”) pursuant to the terms of the share transfer agreement dated 18 August 2014 entered into between HK-Power and the vendors (which placing was completed on 12 January 2015 with all the 457,324,692 issued Shares having been successfully placed to four placees (namely, Chen Ken, Dong De Wei, Huang Yu Hua and Li Mo, all are Independent Third Parties) and the aggregate gross placing proceeds of HK\$78,659,847 derived from the placing, representing the consideration received by the Group from the GBS Equity Interest Disposal);
- (c) the 23 several subscription agreements all dated 23 January 2015 entered into by the Company (as issuer) with 23 several subscribers (all are Independent Third Parties and included professional and other private investors) in respect of the subscriptions of an aggregate of 697,946,951 new Shares at the total subscription price of HK\$122,140,716.425 (equal to HK\$0.175 per subscription share) (which subscriptions were all completed on 3 February 2015 with all the 697,946,951 new Shares having been successfully subscribed for by the 23 subscribers pursuant to the respective terms of the subscription agreements concerned);

- (d) the placing agreement dated 22 April 2015 entered into between the Company (as issuer) and Guotai Junan Securities (Hong Kong) Limited (as placing agent) in respect of the placing, on a best effort basis, of up to 1,479,714,000 new Shares to not less than six independent placees at the total placing price of HK\$547,494,180 (equal to HK\$0.37 per placing share) (which placing was completed on **22 June 2015** with all the 1,479,714,000 new Shares having been successfully placed to not less than six independent placees (all are Independent Third Parties and included professional and other private investors) pursuant to the terms of the placing agreement concerned);
- (e) the 27 several subscription agreements all dated 22 April 2015 entered into by the Company (as issuer) with 27 several subscribers (all are Independent Third Parties and included professional and other private investors) in respect of the subscriptions of an aggregate of 2,991,554,040 new Shares at the total subscription price of HK\$1,106,874,994.80 (equal to HK\$0.37 each per subscription share) (which subscriptions were all completed on **22 June 2015** with all the 2,991,554,040 new Shares having been successfully subscribed for by the 27 subscribers pursuant to the respective terms of subscription agreements concerned);
- (f) the letter agreement dated as of 17 June 2016 entered into between UQM and the Subscriber to record, among others, the agreement for the deposit by the Subscriber of an amount equal to US\$3,000,000, to serve as good faith deposit, in cash into an escrow account with an independent escrow agent and as consideration for the provision by UQM to the Subscriber of an exclusivity period to negotiate the terms in connection with the proposed investment in UQM; and
- (g) the SPA.

QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
BDO Limited	Certified Public Accountants

- (a) As at the Latest Practicable Date, BDO Limited had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

- (b) As at the Latest Practicable Date, BDO Limited did not have any interest, direct or indirect, in any assets which have been, since 31 December 2015, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) BDO Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name and letter in the form and context in which it appears.

GENERAL

- (a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.
- (b) The secretary of the Company is Mr Ting Kwok Kit, Johnny, who is a fellow member of the Association of Chartered Certified Accountants, a member of the Certified General Accountants Association of Canada and a fellow member of the Hong Kong Institute of Chartered Secretaries.
- (c) The qualified accountant of the Company is Mr Hui Wing Sang, Wilson, who is an associate member of The Hong Kong Institute of Certified Public Accountants (*HKICPA*).
- (d) The head office and principal place of business of the Company in Hong Kong is situated at Suites 1407-8, 14th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (e) The Company's principal share registrar and transfer office in Bermuda is Estera Management (Bermuda) Limited at Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda.
- (f) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (g) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays and public holidays) at the head office and principal place of business of the Company in Hong Kong at Suites 1407-8, 14th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the Special General Meeting:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the annual reports of the Company for each of the two financial years ended 31 December 2014 and 2015 and the interim report of the Company for the six months ended 30 June 2016;
- (c) a copy of each of the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;
- (d) the written consent referred to in the section headed “*Qualification and Consent of Expert*” in this appendix; and
- (e) this circular.

NOTICE OF SPECIAL GENERAL MEETING



HYBRID KINETIC GROUP LIMITED

正道集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1188)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Hybrid Kinetic Group Limited (the “**Company**”) will be held at Suite 1410, 14th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Monday, 12 December 2016 at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modification), the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the terms and conditions, and the entering into, of the conditional stock issuance and purchase agreement dated as of 28 June 2016 (as amended and restated by an amended and restated stock issuance and purchase agreement dated as of 26 September 2016) (the “**SPA**”) entered into between UQM Technologies, Inc. (“**UQM**”) and American Compass, Inc. (a wholly-owned subsidiary of the Company) (the “**Subscriber**”) regarding the proposed investment in UQM through the subscription by the Subscriber of an aggregate of 66,500,000 new shares (with a par value of US\$0.01 per share) of UQM common stock (the “**Subscription Shares**”) at an aggregate subscription price of US\$47,880,000 (equivalent to approximately HK\$373,464,000) (the “**Subscription**”), subject to and upon the terms and conditions contained in the SPA (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification); and all the arrangements and transactions contemplated under the SPA be and are hereby approved, confirmed and/or ratified (as the case may be); and that any one director or (if affixing of seal is required) any two directors of the Company be authorised for and on behalf of the Company, among other matters, to sign, execute, perfect, delivery (including under seal where applicable) and to authorise the signing, executing, perfecting and delivering (including under seal where applicable) of all such documents and deeds, and to do or authorise doing all such acts, matters and things, as he may in his absolute discretion consider necessary, expedient or desirable to give effect to and implement and/or complete all matters in connection with the transactions contemplated under and/or ancillary to the SPA, and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the SPA as he may in his absolute discretion consider to be desirable and in the interests of the Company, and all of such acts of director(s) as aforesaid be hereby approved, ratified and confirmed (as the case may be).”

Yours faithfully

For and on behalf of the board of directors

Hybrid Kinetic Group Limited

Yeung Yung

Chairman

Hong Kong, 23 November 2016

NOTICE OF SPECIAL GENERAL MEETING

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal place of business in Hong Kong:

Suites 1407-8, 14th Floor
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more separate proxy(ies) to attend and, subject to the provisions of the bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company.
2. A form of proxy for use at the Meeting is enclosed with the circular of the Company dated 23 November 2016.
3. To be valid, the form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting (or any adjournment thereof).
4. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the Meeting or at any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders are present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. Resolution set out in this notice will be taken by poll at the Meeting.

As at the date of this notice, the Board comprises ten executive Directors, namely Dr Yeung Yung (Chairman), Mr Xu Jianguo (Chief Executive Officer), Mr Hui Wing Sang, Wilson (Deputy Chairman), Dr Huang Chunhua (Deputy Chairman), Dr Wang Chuantao (Deputy Chairman), Mr Liu Stephen Quan, Dr Zhu Shengliang, Mr Li Zhengshan, Mr Ting Kwok Kit, Johnny and Mr Chen Xiao, one non-executive Director, namely Dr Xia Tingkang, Tim and six independent non-executive Directors, namely Mr Wong Lee Hing, Dr Song Jian, Dr Zhu Guobin, Mr Cheng Tat Wa, Dr Li Jianyong and Mr Chan Sin Hang.