HYBRID KINETIC GROUP LIMITED
正道集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1188)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the "Board" or the "Directors") of Hybrid Kinetic Group Limited (the "Company") would like to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2016 (the "Period") together with the comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	*3*	**13,810**	26,987
Cost of sales		**(10,983)**	(26,459)
Gross profit		**2,827**	528
Other income		**8,333**	5,155
Distribution costs and general operating expenses		**(148,035)**	(77,859)
Share of result of an associate		**(28)**	(425)

	Notes	Six months ended 30 June **2016** ***HK$'000*** **(Unaudited)**	 2015 *HK$'000* (Unaudited)
Loss before income tax	*5*	**(136,903)**	(72,601)
Income tax expense	*6*	**(528)**	(138)
Loss for the period from continuing operations		**(137,431)**	(72,739)
Discontinued operations			
Loss for the period from discontinued operations		**–**	(11,034)
Loss for the period		**(137,431)**	(83,773)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries		**(9,920)**	(2,245)
Release of translation reserve to profit or loss upon disposal of a subsidiary		**–**	(3,938)
Other comprehensive income for the period		**(9,920)**	(6,183)
Total comprehensive income for the period		**(147,351)**	(89,956)
Loss for the period attributable to:			
Owners of the Company		**(136,781)**	(80,924)
Non-controlling interests		**(650)**	(2,849)
		(137,431)	(83,773)

	Notes	Six months ended 30 June 2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
Total comprehensive income for the period attributable to:			
Owners of the Company		**(146,552)**	(87,113)
Non-controlling interests		**(799)**	(2,843)
		(147,351)	(89,956)
Loss per share for loss attributable to owners of the Company during the period	*7*		
From continuing and discontinued operations			
Loss per share – basic		**HK(0.67) cent**	HK(0.53) cent
Loss per share – diluted		**N/A**	N/A
From continuing operations			
Loss per share – basic		**HK(0.67) cent**	HK(0.46) cent
Loss per share – diluted		**N/A**	N/A
From discontinued operations			
Loss per share – basic		**N/A**	HK(0.07) cent
Loss per share – diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	As at 30 June 2016 HK$'000 (Unaudited)	As at 31 December 2015 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*9*	**84,791**	79,372
Interest in an associate		**19,685**	20,354
Available-for-sale financial assets		**71,714**	10,982
Prepayments and deposits		**58,149**	36,656
Finance lease receivables	*10*	**10,026**	13,584
		244,365	160,948
Current assets			
Inventories		**40,567**	4,087
Finance lease receivables	*10*	**7,683**	8,776
Prepayments, deposits and other receivables	*11*	**845,944**	639,797
Amount due from a non-controlling shareholder of a subsidiary		**2,418**	2,483
Short-term investments		**197,591**	84,001
Structured bank deposits		**–**	420,182
Pledged bank deposits		**2,007**	1,607
Cash and cash equivalents		**820,775**	999,820
		1,916,985	2,160,753

	Notes	As at 30 June 2016 HK$'000 (Unaudited)	As at 31 December 2015 HK$'000 (Audited)
Current liabilities			
Trade payables	*12*	**3,798**	2,988
Accruals and other payables		**21,941**	37,571
Borrowings		**–**	196
Tax payable		**1,082**	920
		26,821	41,675
Net current assets		**1,890,164**	2,119,078
Total assets less current liabilities		**2,134,529**	2,280,026
Net assets		**2,134,529**	2,280,026
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**2,033,787**	2,032,587
Reserves		**65,086**	210,984
		2,098,873	2,243,571
Non-controlling interests		**35,656**	36,455
Total equity		**2,134,529**	2,280,026

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

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

The Unaudited Interim Financial Information does not include all of the information required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements of the Company for the year ended 31 December 2015 (the "2015 Annual Financial Statements").

The Unaudited Interim Financial Information for the six months ended 30 June 2016 was approved for issue by the board of directors on 31 August 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Unaudited Interim Financial Information has been prepared in accordance with the accounting policies and method of comparatives used in the 2015 Annual Financial Statements, except for the adoption of the new or revised Hong Kong Financial Reporting Standards ("HKFRSs"), which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int"). The adoption of these new or revised HKFRSs has had no material impact on the Group's financial statements. The Group has not early adopted any new or revised HKFRSs that have been issued but are not yet effective.

3. REVENUE

Revenue recognised during the period is as follow:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of high-tech electric motor vehicles	**7,844**	26,987
Sales of battery management systems and spare parts	**5,295**	-
Interest income from finance leasing	**671**	-
	13,810	26,987

4. SEGMENT INFORMATION

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

For the six months ended 30 June 2016

(i) development of advanced batteries materials; and

(ii) development of high-tech electric motor vehicles.

For the six months ended 30 June 2015

(i) development of advanced batteries materials;

(ii) development of high-tech electric motor vehicles;

(iii) development of hybrid vehicles; and

(vi) natural resources business.

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

During the six months ended 30 June 2015 and year ended 31 December 2015, the Group has discontinued its operations of development and manufacturing of lithium-ion power battery and these operations had been presented as discontinued operations in the Unaudited Interim Financial Information and not presented in the segment information.

For the six months ended 30 June 2016

	Advanced batteries materials business *HK$'000* **(Unaudited)**	**High-tech electric motor vehicles business** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Revenue			
Sales to external customers	**–**	**13,810**	**13,810**
Segment results	**(1,593)**	**(38,350)**	**(39,943)**
Unallocated corporate income and expense, net			**(96,960)**
Loss before income tax			**(136,903)**
Income tax expense			**(528)**
Loss for the period			**(137,431)**

As at 30 June 2016

	Advanced batteries materials business *HK$'000* (Unaudited)	High-tech electric motor vehicles business *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Segment assets	**7,667**	**857,634**	**865,301**
Amount due from a non-controlling shareholder of a subsidiary			**2,418**
Short-term investments			**197,591**
Available-for-sale financial assets			**71,714**
Cash and cash equivalents held by the Group's headquarter			**562,592**
Unallocated corporate assets			**461,734**
Total assets			**2,161,350**
Segment liabilities	**386**	**14,027**	**14,413**
Tax payable			**1,082**
Unallocated corporate liabilities			**11,326**
Total liabilities			**26,821**

For the six months ended 30 June 2015

	Natural resources business HK$'000 (Unaudited)	Hybrid vehicles business HK$'000 (Unaudited)	Advanced batteries materials business HK$'000 (Unaudited)	High-tech electric motor vehicles business HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Revenue					
Sales to external customers	–	–	–	26,987	26,987
Segment results	–	–	(4,751)	(2,050)	(6,801)
Unallocated corporate income and expense, net					(65,800)
Loss before income tax					(72,601)
Income tax expense					(138)
Loss for the period from continuing operations					(72,739)
Loss for the period from discontinued operations					(11,034)
Loss for the period					(83,773)

As at 31 December 2015

	Advanced batteries materials business HK$'000 (Audited)	High-tech electric motor vehicles business HK$'000 (Audited)	Total HK$'000 (Audited)
Segment assets	21,260	965,624	986,884
Available-for-sale financial assets			10,982
Amount due from a non-controlling shareholder of a subsidiary			2,483
Structured bank deposits			420,182
Cash and cash equivalents held by the Group's headquarter			656,486
Unallocated corporate assets			244,684
Total assets			2,321,701
Segment liabilities	268	18,072	18,340
Borrowings			196
Tax payable			920
Unallocated corporate liabilities			22,219
Total liabilities			41,675

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

At 30 June 2016, non-current assets (other than financial instruments) of HK$15,512,000 (31 December 2015: HK$17,399,000), HK$108,980,000 (31 December 2015: HK$102,526,000) and HK$38,133,000 (31 December 2015: HK$16,457,000) are located in Hong Kong, the People's Republic of China (the "PRC") and the United States respectively.

The geographical location of non-current assets (other than financial instruments) is based on the physical location of the assets.

5. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Loss before income tax is arrived after charging:		
Depreciation of property, plant and equipment	5,605	3,214
Change in fair value of derivative financial asset	–	1,779
Operating lease charges in respect of land and buildings	13,520	2,406
Research and development expenses	20,757	–
Employee benefit expense (including directors' emoluments):		
Wages and salaries	51,639	28,084
Pension costs – defined contribution plans	1,349	366
Other benefits	933	861
	53,921	29,311

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Current tax – PRC Enterprise Income Tax	**528**	138

For the six months ended 30 June 2016 and 2015, no provision for Hong Kong profits tax has been made as the Group did not derive any assessable profits for the year in Hong Kong. Taxation on PRC and overseas profits has been calculated on the estimated assessable profit for those periods at the rates of taxation prevailing in the jurisdictions in which the Group operates.

7. LOSS PER SHARE

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

Loss

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company for the purpose of basic loss per share		
Continuing operations	**(136,781)**	(69,890)
Discontinued operations	**–**	(11,034)
Total loss from continuing and discontinued operations	**(136,781)**	(80,924)

Number of shares

	2016	2015
	Number of shares	Number of shares
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of shares for the purpose of basic loss per share	**20,336,102**	15,181,898

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

8. INTERIM DIVIDEND

The directors do not declare the payment of an interim dividend for the six months ended 30 June 2016 (Six months ended 30 June 2015: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired and disposed of property, plant and equipment of HK$15,796,000 and HK$79,000 respectively (Six months ended 30 June 2015: HK$19,073,000 and nil).

10. FINANCE LEASE RECEIVABLES

	As at 30 June 2016 *HK$'000* **(Unaudited)**	As at 31 December 2015 *HK$'000* (Audited)
Finance lease receivables		
– Current portion, receivable within one year	**7,683**	8,776
– Non-current portion, receivable later than one year but no later than five years	**10,026**	13,584
	17,709	22,360

The directors of the Company are of the view that the credit risk inherent in the Group's outstanding finance lease receivables balances due from the customers is low. No impairment allowance was made for the finance lease receivables as at 30 June 2016 and 31 December 2015.

Reconciliation between the gross amount under finance leases at the end of each reporting period and the present value of minimum lease payments receivable under such leases at the end of each reporting period is set out below:

	As at 30 June 2016 *HK$'000* **(Unaudited)**	As at 31 December 2015 *HK$'000* (Audited)
Minimum lease payments receivable:		
– Not later than one year	**8,665**	9,965
– Later than one year and no later than five years	**10,647**	14,621
	19,312	24,586
Less: unearned finance income	**(1,603)**	(2,226)
Present value of minimum lease payment receivables	**17,709**	22,360

As at 30 June 2016 and 31 December 2015, the carrying amounts of the Group's finance lease receivables are principally denominated in RMB. Effective interest rates ranged from approximately 5.7% to 7.0% per annum.

The finance lease receivables are secured by the leased motor vehicles and guarantees provided by independent third parties. The Group is not permitted to sell or re-pledge the collaterals in absence of default by the lessees. The lessees are required to pay the Group through twelve quarterly lease payments.

The fair value of receivable under finance lease arrangement approximates to its carrying amount.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2016 *HK$'000* **(Unaudited)**	As at 31 December 2015 *HK$'000* (Audited)
Prepayments to suppliers	**343,200**	350,845
Other receivables *(note 11.1)*	**330,540**	121,795
Other deposits and prepayments	**87,991**	72,242
Prepayment for research and development projects	**82,431**	93,089
Amounts due from directors *(note 11.2)*	**1,782**	1,826
	845,944	639,797

Notes:

11.1(a) As at 30 June 2016, within the balances of other receivables, a balance of HK$79,966,000 (31 December 2015: HK$17,905,000) carries interest rate at 6% per annum, repayable within one year and is secured by equity interest of the debtor, being an unlisted limited liability company and a guarantee provided by a related party of the debtor.

11.1(b) As at 30 June 2016, within the balances of other receivables, a balance of HK$38,356,000 (31 December 2015: HK$47,748,000) carries interest rate at 6% per annum, repayable within one year and is secured by the Company's shares held by an independent third party, equity interest of the debtor, being an unlisted limited liability company, and guarantees provided by the related parties of the debtor (31 December 2015: secured by the equity interest of the debtor, being an unlisted limited liability company, and guarantees provided by the related parties of the debtor).

11.1(c) As at 30 June 2016, within the balances of other receivables, a balance of HK$58,115,000 (31 December 2015: nil) carries interest rate at 8% per annum, repayable within one year and is secured by equity interest of the debtor, being an unlisted limited liability company and a guarantee provided by a related party of the debtor.

11.2 The amounts due from directors are interest-free, unsecured and repayable on demand.

12. TRADE PAYABLES

As at 30 June 2016, the ageing analysis of the trade payables of the Group was as follows:

	As at 30 June 2016 ***HK$'000*** **(Unaudited)**	As at 31 December 2015 *HK$'000* (Audited)
0 – 180 days	**2,516**	2,920
Over 180 days	**1,282**	68
	3,798	2,988

13. SHARE CAPITAL

	At 30 June 2016 (Unaudited)		At 31 December 2015 (Audited)	
	Number of shares	**Amount** ***HK$'000***	Number of shares	Amount *HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each	**800,000,000,000**	**80,000,000**	800,000,000,000	80,000,000
Issued and fully paid:				
At beginning of period/year	20,325,872,747	2,032,587	14,187,144,756	1,418,714
Subscription of new shares during the period/year	–	–	5,169,214,991	516,922
Shares issued from the share option scheme *(note)*	12,000,000	1,200	969,513,000	96,951
At end of period/year	20,337,872,747	2,033,787	20,325,872,747	2,032,587

Note: During the six months ended 30 June 2016 and year ended 31 December 2015, the issued share capital of the Company was increased due to the exercise of share options by employees (31 December 2015: exercise of share options by directors, employees and other eligible persons) of the Group. The shares issued during the period/year in relation to share options exercised have the same rights as other ordinary shares of the Company in issue.

14. COMMITMENTS

As at 30 June 2016, the Group has the following commitments:

(i) Capital Commitments

	As at 30 June 2016 *HK$'000* **(Unaudited)**	As at 31 December 2015 *HK$'000* (Audited)
Contracted but not provided for		
– Establishment of a subsidiary in the PRC	**5,811**	5,969
– Investment in an available-for-sale financial asset	**8,717**	–
– Purchase of property, plant and equipment	**13,209**	13,566
– Proposed investment in UQM Technologies, Inc. ("UQM") *(Note)*	**347,532**	–
	375,269	19,535

Note: On 28 June 2016, the Group entered into a conditional stock issuance and purchase agreement (the "SPA") with UQM regarding the proposed investment in UQM through the subscription of an aggregate of 66,500,000 new shares of UQM common stock at the total subscription price of US$47,800,000 (equivalent to approximately HK$370,084,000), subject to and upon the terms and conditions contained in the SPA.

As at 30 June 2016, the Group has paid a deposit of US$3,000,000 (equivalent to approximately HK$23,272,000) for the proposed investment in UQM, which has been included as prepayments and deposits under non-current assets. The remaining balance of US$44,800,000 (equivalent to approximately HK$347,532,000) was regarded as capital commitment as at 30 June 2016. Details in respect of the proposed investment in UQM are set out in the Company's announcement dated 30 June 2016.

(ii) Other Commitments

	As at 30 June 2016 *HK$'000* **(Unaudited)**	As at 31 December 2015 *HK$'000* (Audited)
Contracted but not provided for		
– Research and development projects	**11,175**	27,927

MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION

Overview

During the Period, the principal businesses of the Group included:

- the electric motor vehicles business comprising primarily electric buses, engine and related battery cells; and

- the promotion of the new energy project which involved the development of key new energy automobile components and primarily the production of single and few-layer graphene（單層石墨烯）.

The Group's turnover and gross profit from continuing operations for the Period amounted to approximately HK$13.80 million (2015: HK$26.99 million) and HK$2.83 million (2015: HK$0.53 million). The gross profit for the Period was primarily attributable to the sales of electric buses and related business. The loss attributable to shareholders for the Period amounted to HK$136.8 million (2015: HK$80.9 million). The loss for the Period was mainly attributable to general operating expenses.

The general operating expenses from continuing operations for the Period increased to HK$148.0 million (2015: HK$77.9 million) which consisted of research and development expenses of HK$20.76 million (2015: nil), operating lease charges in respect of land and building of HK$13.5 million (2015: HK$2.4 million), employee benefit expense (including wages and salaries, pension costs and other benefits) of HK$53.9 million (2015: HK$29.3 million) and depreciation expenses of HK$5.6 million (2015: HK$3.2 million).

The loss for the Period from discontinuing operations was nil as compared to HK$11.0 million in 2015.

Electric Motor Vehicles Business

The Group has endeavoured to become a pioneer in the design, development and manufacture of zero-emission electric vehicles with advanced technology and tremendous potential to improve energy efficiency. We adopt a purpose-build approach to designing electric vehicles and aim to customize them in a variety of ways to match different needs and preferences.

During the Period, the principal members of the Group comprising and operating this segment of business included 連雲港正強新能源汽車銷售有限公司 (Lianyuangang Zheng Qiang New Energy Motors Sales Co., Ltd.*) ("Lianyuangang Zheng Qiang"), 連雲港正道新能源汽車系統集成有限公司 (Lianyungang HK New Energy Vehicles System Integration Company Limited*) ("Lianyuangang HK New Energy") and 上海正道融資租賃有限公司 (HK Leasing Co., Ltd.*) ("HK Leasing").

During the Period, our emphasis had been placed on electric buses and the public transit bus market. We believe that any improvement in the performance, efficiency and reliability of electric buses would help promote the use of public transportation by the public, minimize environmental pollutions and improve public health and safety. During the Period, the sales of electric buses had been carried out through Lianyuangang Zheng Qiang and generated sales of electric buses of approximately HK$7.8 million (2015: HK$27.0 million).

During the Period, the manufacturing of electric buses had been undertaken by processing plant(s)（代工廠）selected by the Group in the PRC. Nevertheless, it has been the intention of the Company to establish an electric bus manufacturing platform, either through forming joint venture business with strategic partner(s) or acquiring a controlling stake of public bus manufacturing entity so as to achieve a higher level of vertical integration.

The Group is passionate in the pursuit of technological and socially responsible innovations for the design, development and manufacture of new energy vehicles and automotive products. The Group had, through Lianyungang HK New Energy, established a battery system factory in 連雲港經濟技術開發區 (Lianyungang Economic and Technology Development Zone*), the Jiangsu Province, the PRC in the third quarter of 2015 for the development of battery management system (which is a core component for use in electric buses). Further, the Group has a long-term supply agreement with XALT Energy MI, LLC ("XALT Energy"), an innovator in energy storage technologies based on advanced lithium-ion chemistry and one of our business partners in the U.S., for the supply of XALT Energy's new generation high-power rapid-charging lithium titanate battery cells ("LTO battery cells") specified and tailored to the Group's production of high-performance rapid charging electric buses. Battery management system equipped with new generation LTO battery cells forms the core components of our electric buses, and allows the Group to gain a comparative technical advantage over our competitors in the electric buses market in China. During the Period, we had successfully launched the sales of battery management systems and recorded revenue of approximately of HK$5.30 million (2015: Nil).

The finance-leasing business of the Group, which is carried out through HK Leasing in the PRC, has come into operation since 2015 to facilitate the promotion of the electric vehicle business of the Group (in particular, the development of its electric bus business). We consider the finance-leasing business is promising as the financial flexibility that may be made available to the Group's targeted customers (in particular, transportation solutions operators) is expected to ease general concerns over the issue of the requirement to make significant initial outlays to buy the electric buses. During the Period, HK Leasing recorded interest income of approximately of HK$0.7 million (2015: Nil).

For the Period, the turnover and the loss of this segment of business were approximately HK$13.8 million (2015: HK$27.0 million) and HK$38.4 million (2015: HK$2.1 million).

New Energy Project

The Group has been engaging in the promotion of a new energy project (which involved the development of key new energy automobile components) (the "New Energy Project") through 連雲港正道新能源有限公司 (Hybrid Kinetic (Lianyuangang) New Energy Limited, Inc.*) (the "Project Company"), in which the Company holds approximately 77.78% of its total registered capital of US$27,000,000.

The major new energy automobile component under the New Energy Project comprises single and few-layer graphene（單層石墨烯）. Graphene is an ideal material for super batteries（超級電池）, electronic traction motor（電機）and power electronic system（電控系統）for use in electric vehicles.

In addition, the Project Company and HK Graphene Technology Corporation, a subsidiary of the Company in the U.S., have been cooperating in the research and development of graphene super batteries（石墨烯超級電池）(which possess relatively higher energy and power density and long charge and discharge life cycle, have a charging rate which is much faster than normal batteries and can function normally under severe weather condition).

For the Period, the turnover and the loss of this segment were nil (2015: Nil) and HK$1.6 million (2015: HK$4.8 million).

PROSPECTS

The Company has a long-term commitment to the global automobile industry.

We believe 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, we have started to pave our way to open up our electric motor vehicles business into the luxury car market. To implement our business plan, we entered into a collaboration 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. We believe 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 cooperations and elevate our position in the global market for electric vehicles.

Further, in August 2016, we entered into a framework agreement with 深圳市五洲龍汽車有限公司 (Shenzhen Wuzhoulong Motors Co., Ltd*), a high-tech enterprise in China specializing in manufacturing and exporting different series of environment-friendly bus and coach, with the intention to work together, among others, in the design and development of two types of electric bus (8.5-metre and 10 to 12-metre respectively) in accordance with the specification required by the Group. The collaboration is of great significance to our further penetration into the electric bus market in China.

We expect our finance-leasing business will continue to grow and the finance-leasing model adopted by the Group will be well-received by potential customers. We intend to extend the provision of our finance-leasing services to potential customers who have financing needs for motor vehicles other than electric buses with a view to broadening our customer base.

We will step up our efforts to explore investment opportunities and consider different options to achieve a higher level of vertical integration of our electric motor vehicles business (including but not limited to the viability of having our 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.

MATERIAL ACQUISITION OR DISPOSAL

Save as disclosed above and the proposed investment in UQM Technologies, Inc. as announced by the Company in its announcement dated 30 June 2016, there was no material acquisition or disposal or plans for material investment or capital assets during the Period.

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

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

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2016, the total equity of the Group amounted to approximately HK$2,134.5 million (31 December 2015: HK$2,280 million).

The gearing ratio of the Group as of 30 June 2016 measured in terms of total liabilities divided by shareholders' equity was approximately 1.26% (31 December 2015: 1.83%).

As of 30 June 2016, net current assets of the Group were approximately HK$1,890 million (31 December 2015: HK$2,119 million). The pledged bank deposits were approximately HK$2.0 million (31 December 2015: HK$1.6 million). The cash and cash equivalents were denominated in Renminbi, Hong Kong dollars and United States dollars and amounted to approximately HK$820.8 million (31 December 2015: HK$999.8 million).

The short-term investments was approximately HK$197.60 million (31 December 2015: HK$84.0 million) and structured bank deposits was nil (31 December 2015: HK$420.2 million). The Group also had outstanding borrowings of nil (31 December 2015: HK$0.2 million).

PLEDGE OF THE GROUP'S ASSETS

As of 30 June 2016, the Group had pledged its bank deposits of HK$2.0 million (31 December 2015: HK$1.6 million) to the Group's bankers to secure corporate credit cards facilities granted to the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

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

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group had a total of approximately 200 employees as at 30 June 2016 (31 December 2015: 183 employees). It has been the Group's policy to ensure that the remuneration levels of the Directors and its employees are reviewed and rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Share options may also be granted to the Directors and employees of the Group to attract, retain and incentivize them to work and make contribution towards the long term growth and development of the Group.

CORPORATE GOVERNANCE

Throughout the Period, the Company had applied the principles and complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company had reviewed and discussed with the management of the Company regarding the consolidated financial statements of the Group for the Period.

EVENT(S) AFTER THE REPORTING PERIOD

Proposed investment in UQM Technologies, Inc. ("UQM") – Very Substantial Acquisition

On 28 June 2016, the Company (through its wholly-owned subsidiary) entered into a conditional stock issuance and purchase agreement (the "SPA") with UQM regarding our proposed investment in UQM through the subscription of an aggregate of 66,500,000 new shares of UQM common stock at the total subscription price of US$47,800,000 (equivalent to approximately HK$370,084,000) (the "Subscription Transaction"), subject to and upon the terms and conditions contained in the SPA.

UQM is listed on the NYSE MKT LLC (NYSE: UQM) and 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.

The Subscription Transaction will be funded by the Company's internal resources. Subject to completion of the Subscription Transaction, UQM will become a non-wholly-owned subsidiary of the Company.

We consider that the proposed Subscription Transaction, if implemented, would, among other benefits, provide the Group with a readily accessible platform in the U.S., allow the Group to gain a foothold and accelerate the growth of its environmental automobile and related business in the U.S.

The Subscription Transaction constituted a very substantial acquisition for the Company under the Listing Rules and is subject to the approval of the shareholders of the Company at a special general meeting to be convened. As at the date of this announcement, the SPA and the transactions contemplated thereunder were yet to be completed. Please refer to the Company's announcement dated 30 June 2016 for details of the Subscription Transaction.

PUBLICATION OF THE INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2016 will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the website of the Company (http://hk1188.etnet.com.hk) in due course.

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

Hong Kong, 31 August 2016

As at the date of this announcement, 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.

* *For identification purpose only*