THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Apollo Future Mobility Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

apollo

APOLLO FUTURE MOBILITY GROUP LIMITED
力世紀有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 860)

(1) MAJOR TRANSACTION PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF IDEENION INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the Board (as defined in this circular) is set out on pages 8 to 29 of this circular. A notice convening the EGM (as defined in this circular) to be held at 11:00 a.m. on Friday, 29 January 2021 at Units 301 and 302, Third Floor, Building 22E, Phase Three, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof if you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Please see pages 6 to 7 of this circular for measures being taken to try to prevent and control the spread of the novel coronavirus (COVID-19) at the EGM, including:

- compulsory temperature checks and health declaration
- recommended wearing of surgical face masks
- no distribution of corporate gifts and refreshments
- appropriate distancing and spacing in line with the guidance from the Hong Kong Government will be maintained and as such, the Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the EGM venue. In order to facilitate the prevention and control of the novel coronavirus (COVID-19), and to safeguard the health and safety of attending shareholders, the Company encourages shareholders to consider NOT to attend the EGM in person, and advises Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

24 December 2020

CONTENTS

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

"Acquisition"	the proposed acquisition of the Sale Shares by the Company from the Vendors pursuant to the terms of the Agreement
"Acquisition Conditions"	the conditions precedent to the completion of the Acquisition
"Agreement"	the sale and purchase agreement dated 31 October 2019 (as amended and supplemented by the Supplemental Agreement, the Second Supplemental Agreement, the Third Supplemental Agreement, the Fourth Supplemental Agreement and the Fifth Supplemental Agreement and as amended, supplemented or varied from time to time) and entered into among the Company and the Vendors in relation to the proposed Acquisition
"Apollo Acquisition"	the acquisition of the 20,051 shares of Sino Partner by the Company at the aggregate consideration of up to approximately HK$1,032,720,000
"Apollo Group"	Sino Partner and its direct and indirect wholly-owned subsidiaries, namely Apollo Automobil GmbH (a company incorporated in Germany), Apollo Automobile Limited (a company incorporated in England and Wales), Apollo Automobil Japan Co., Ltd. (a company incorporated in Japan) and Apollo Automobil Limited, Shine Billion Limited and Winner Advance Limited (companies incorporated in Hong Kong)
"Board"	the board of Directors
"Business Days"	a day (not being a Saturday, a Sunday and a public holiday) on which banks are open for normal banking business in Hong Kong and Frankfurt
"Company"	Apollo Future Mobility Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 860)
"Completion Date"	the date of completion of the Acquisition
"connected persons"	has the meaning ascribed to this term under Chapter 14A of the Listing Rules

"Consideration"	the total consideration for the Acquisition, being the aggregate of Initial Consideration Price, Further Consideration Price and Consideration Shares
"Consideration Shares"	the aggregate of Consideration Shares 2021, Consideration Shares 2022 and Consideration Shares 2023
"Consideration Shares 2021"	new Shares of an aggregate value of up to approximately EUR5,600,000 to be allotted and issued by the Company to the Vendors no later than one (1) month after the date of the audited consolidated financial statements of the Target Group for the year ending 30 June 2021 as part of the Consideration
"Consideration Shares 2022"	new Shares of an aggregate value of up to approximately EUR5,600,000 to be allotted and issued by the Company to the Vendors no later than one (1) month after the date of the audited consolidated financial statements of the Target Group for the year ending 30 June 2022 as part of the Consideration
"Consideration Shares 2023"	new Shares of an aggregate value of up to approximately EUR5,600,000 to be allotted and issued by the Company to the Vendors no later than one (1) month after the date of the audited consolidated financial statements of the Target Group for the year ending 30 June 2023 as part of the Consideration
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be held at 11:00 a.m. on Friday, 29 January 2021 at Units 301 and 302, Third Floor, Building 22E, Phase Three, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong and the notice of which is set out in this circular
"Enlarged Group"	the Group and the Target Group
"EUR"	Euro, the lawful currency of the European Union
"EV(s)"	electric vehicle(s)
"Fifth Supplemental Agreement"	the fifth supplemental agreement dated 14 December 2020 and entered into among the Company and the Vendors amending and supplementing the Agreement in relation to the extension of Long Stop Date and Completion Date

"Fourth Supplemental Agreement"	the fourth supplemental agreement dated 15 September 2020 and entered into among the Company and the Vendors amending and supplementing the Agreement in relation to the extension of Long Stop Date and Completion Date
"Further Consideration Price"	the aggregate of Further Consideration Price 2021, Further Consideration Price 2022 and Further Consideration Price 2023
"Further Consideration Price 2021"	EUR1,400,000 in aggregate to be paid in cash by the Company to the Vendors no later than one (1) month after the date of the audited consolidated financial statements of the Target Group for the year ending 30 June 2021 as part of the Consideration
"Further Consideration Price 2022"	EUR1,400,000 in aggregate to be paid in cash by the Company to the Vendors no later than one (1) month after the date of the audited consolidated financial statements of the Target Group for the year ending 30 June 2022 as part of the Consideration
"Further Consideration Price 2023"	EUR1,400,000 in aggregate to be paid in cash by the Company to the Vendors no later than one (1) month after the date of the audited consolidated financial statements of the Target Group for the year ending 30 June 2023 as part of the Consideration
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Ideenion Design"	Ideenion Design AG, a German stock corporation
"Ideenion Electronic"	Ideenion Electronic AG, a German stock corporation
"Independent Valuer"	Ravia Global Appraisal Advisory Limited
"Initial Consideration Price"	EUR15,000,000 to be paid in cash by the Company to the Vendors upon completion of the Acquisition as part of the Consideration
"Latest Practicable Date"	21 December 2020, being the latest practicable date before the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular
"Listing Committee"	has the meaning ascribed to it under the Listing Rules

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	the date by which all the Acquisition Conditions must be fulfilled (or waived, if applicable), which is 26 February 2021 (or such other date as may be agreed in writing between the Vendors and the Company)
"NEV(s)"	new energy vehicle(s)
"PRC"	the People's Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Sale Shares"	an aggregate of 50,000 issued ordinary shares of EUR1 each in the share capital of the Target Company, representing the entire issued share capital of the Target Company as at the Latest Practicable Date
"Second Supplemental Agreement"	the second supplemental agreement dated 13 March 2020 and entered into among the Company and the Vendors amending and supplementing the Agreement in relation to the extension of the Long Stop Date and Completion Date
"Shareholders"	holders of the Shares
"Shares"	ordinary shares of HK$0.10 each in the share capital of the Company
"Sino Partner"	Sino Partner Global Limited, a company incorporated in the British Virgin Islands with limited liability and a non wholly-owned subsidiary of the Company
"Specific Mandate"	a specific mandate to allot and issue the Consideration Shares to be sought from the Shareholders at the EGM
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscribers"	no less than six subscribers of the new Shares pursuant to the Subscription Agreement
"Subscription"	the subscription of new Shares by the Subscribers pursuant to the Subscription Agreement

"Subscription Agreement"	the subscription agreement dated 7 December 2020 entered into by the Company and no less than six subscribers in respect of the allotment and issue of an aggregate of 1,066,596,000 new Shares by the Company to the subscribers at the subscription price of HK$0.46 per subscription share
"Supplemental Agreement"	the supplemental agreement dated 12 December 2019 and entered into among the Company and the Vendors amending and supplementing the Agreement in relation to the extension of the Long Stop Date and Completion Date
"Target Company"	Ideenion Automobil AG, a German stock corporation
"Target Group"	the Target Company and its subsidiaries, namely Ideenion Design and Ideenion Electronic
"Third Supplemental Agreement"	the third supplemental agreement dated 11 June 2020 and entered into among the Company and the Vendors amending and supplementing the Agreement in relation to the extension of the Long Stop Date and Completion Date and amendment of terms relating to profit targets
"Vendor A"	Mr. Mirko Konta, the legal and beneficial owner of 41% of the total issued share capital of the Target Company as at the Latest Practicable Date
"Vendor B"	Mr. Werner Händl, the legal and beneficial owner of 39% of the total issued share capital of the Target Company as at the Latest Practicable Date
"Vendor C"	Mr. Nigel Westwood, the legal and beneficial owner of 20% of the total issued share capital of the Target Company as at Latest Practicable Date
"Vendors"	Vendor A, Vendor B and Vendor C
"%"	per cent

PRECAUTIONARY MEASURES FOR THE EGM

The health of the Shareholders, staff and stakeholders is of paramount importance to the Company. In view of the ongoing Novel Coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the EGM to protect attending Shareholders, staff and stakeholders from the risk of infection:

(i) compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the EGM venue or be required to leave the EGM venue;

(ii) the Company encourages each attendee to wear a surgical face mask throughout the EGM and inside the EGM venue, and to maintain a safe distance between seats;

(iii) no refreshment will be served, and there will be no corporate gift; and

(iv) each attendee may be asked whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the EGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds in the affirmative in respect of any of these questions may be denied entry into the EGM venue or be required to leave the EGM venue.

In addition, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. The Company encourages Shareholders NOT to attend the EGM in person, and advises Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM instead of attending the EGM in person, by completing and returning the proxy form attached to this circular.

The form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the EGM or any adjournment thereof (as the case may be). In calculating the aforementioned notice period, no account is to be taken of any part of a day that is a public holiday.

If any Shareholder chooses not to attend the EGM in person but has any question about any resolution or about the Company, or has any matter for communication with the Board, he/she is welcome to send such question or matter in writing to the registered office of the Company or to the email of the share registrar of the Company at is-enquiries@hk.tricorglobal.com. If any Shareholder has any question relating to the EGM, please contact Tricor Tengis Limited, the Company's share registrar as follows:

Tricor Tengis Limited
Level 54, Hopewell Centre 183 Queen's Road East, Hong Kong
Email: is-enquiries@hk.tricorglobal.com
HK Tel: (852) 2980 1333
Fax: (852) 2810 8185

Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

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APOLLO FUTURE MOBILITY GROUP LIMITED
力世紀有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 860)

Executive Directors:
Mr. Ho King Fung, Eric *(Chairman)*
Mr. Sung Kin Man

Non-executive Director:
Mr. Zhang Jinbing *(Co-Chairman)*

Independent non-executive Directors:
Mr. Tam Ping Kuen, Daniel
Mr. Teoh Chun Ming
Mr. Peter Edward Jackson
Mr. Charles Matthew Pecot III

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Units 301 and 302, Third Floor
Building 22E, Phase Three
Hong Kong Science Park
Pak Shek Kok
New Territories
Hong Kong

24 December 2020

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR TRANSACTION
PROPOSED ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF IDEENION
INVOLVING ISSUE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to the announcements of the Company dated 31 October 2019, 12 December 2019, 13 March 2020, 11 June 2020, 15 September 2020 and 14 December 2020 in relation to, among other things, the Acquisition involving the issue of the Consideration Shares under the Specific Mandate.

The purpose of this circular is to provide the Shareholders with, among other things, further information in respect of (i) the Agreement (including the Acquisition involving the issue of the Consideration Shares under the Specific Mandate); (ii) the Specific Mandate; (iii) financial information of the Group and the Target Group; (iv) valuation report of the Target Company; (v) other information as required under the Listing Rules; and (vi) a notice of the EGM.

Set out below is a summary of the material terms of the Agreement.

THE AGREEMENT

Date

31 October 2019 (amended and supplemented by the Supplemental Agreement, the Second Supplemental Agreement, the Third Supplemental Agreement, the Fourth Supplemental Agreement and the Fifth Supplemental Agreement)

Parties

Purchaser: The Company

Vendors: Vendor A

Vendor B

Vendor C

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Vendor A, Vendor B and Vendor C are third parties independent of the Company and its connected persons.

The Acquisition

Assets to be acquired

Pursuant to the Agreement, the Company has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Sale Shares representing the entire issued share capital of the Target Company. Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company.

Consideration

The aggregate consideration for the Acquisition of up to approximately EUR36,000,000 comprises:

(1) the Initial Consideration Price in the amount of EUR15,000,000 to be paid upon completion of the Acquisition in cash by the Company to the Vendors in proportion to their shareholding in the Target Company (to be funded by the Group's internal resources); and

(2) payment of the Further Consideration Price in the amount of up to EUR4,200,000 (to be funded by the Group's internal resources) and allotment and issuance of the Consideration Shares of an aggregate value of up to approximately EUR16,800,000 by the Company to the Vendors subject to the mechanism below:

   (a) Further Consideration Price 2021 will be paid in cash and Consideration Shares 2021 will be allotted and issued to the Vendors in proportion to their shareholding in the Target Company no later than one (1) month after the date of the audited consolidated financial statements of the Target Group for the year ending 30 June 2021 if the consolidated net profit after tax as shown in the audited consolidated financial statements of the Target Group (as calculated in accordance with the International Financial Reporting Standards) for the financial year ending 30 June 2021 is more than or equal to EUR4,600,000;

   (b) Further Consideration Price 2022 will be paid in cash and Consideration Shares 2022 will be allotted and issued to the Vendors in proportion to their shareholding in the Target Company no later than one (1) month after the date of the audited consolidated financial statements of the Target Group for the year ending 30 June 2022 if the consolidated net profit after tax as shown in the audited consolidated financial statements of the Target Group (as calculated in accordance with the International Financial Reporting Standards) for the financial year ending 30 June 2022 is more than or equal to EUR4,600,000; and

   (c) Further Consideration Price 2023 will be paid in cash and Consideration Shares 2023 will be allotted and issued to the Vendors in proportion to their shareholding in the Target Company no later than one (1) month after the date of the audited consolidated financial statements of the Target Group for the year ending 30 June 2023 if the consolidated net profit after tax as shown in the audited consolidated financial statements of the Target Group (as calculated in accordance with the International Financial Reporting Standards) for the financial year ending 30 June 2023 is more than or equal to EUR4,600,000.

The issue price per share of the Consideration Shares will be (a) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for all the Business Days in the three calendar months immediately preceding the date of allotment and issuance of the respective Consideration Shares, or (b) HK$0.52, whichever is higher. In any event, the maximum aggregate number of Consideration Shares to be allotted and issued to the Vendors shall not exceed 281,080,000 Shares.

The number of the Consideration Shares to be allotted and issued shall be determined by dividing the respective aggregate values of the Consideration Shares in Hong Kong dollar by the issue price per share of the Consideration Shares, rounded up to the nearest multiple of 4,000 Shares (being the board lot size of the Shares for trading on the Stock Exchange).

Pursuant to the Agreement, the Target Company needs to maintain liquid funds of EUR1,250,000, being approximately 3 months of the expected operating cash outflow of the Target Group, as liquidity required for its operations and if the liquid funds as at the Completion Date fall short of such required amount, the Initial Consideration Price shall be reduced in the amount of such shortfall and the payment of the Initial Consideration Price to the Vendors shall be reduced in proportion accordingly. There will be no upward adjustment to the Initial Consideration Price if the liquid funds are in excess of EUR1,250,000 as at the Completion Date.

Each of the Vendors has undertaken to the Company that he will not for two years from the respective dates of allotment and issue of the Consideration Shares (unless with the prior written consent of the Company) dispose of or otherwise deal in any Consideration Shares or any interests therein beneficially owned or held by him.

Basis for determination of the Consideration

The Consideration was determined after arm's length negotiation between the Company and the Vendors having taken into account, among other things, (i) the reasons for the Acquisition as disclosed in the section headed "Reasons for and benefits of the Acquisition" below, (ii) the future growth prospects and earnings capability of the Target Group and (iii) the market capitalization of comparable companies.

(i) Initial Consideration Price

In order to determine the amount of the Initial Consideration Price, the Company conducted an estimation of the fair value of the entire equity interest in the Target Group based on the historical performance of the Target Group and the market capitalization of comparable companies.

The fair value of the entire equity interest in the Target Group was estimated to be approximately EUR17,000,000 after taking into account the following factors:

(a) the net profit after tax of the Target Group based on its unaudited financial statements for the financial year ended 30 June 2019 prepared in accordance with the German Financial Reporting Standards available by the time of signing of the Agreement;

(b) the median (adopted to avoid outlier impact) of the price-to-earnings multiples (adjusted by size premium differential) of comparable companies calculated with reference to the market capitalization and the net profit of comparable companies; and

(c) adjustments in respect of control premium and discount for lack of marketability.

In respect of (b) above, the Company has identified eight automobile designers and manufacturers as the most relevant comparables after considering the nature of the Target Group's business being the design, development and prototyping of internal combustion engine vehicles and NEVs (including vehicle components and accessories for vehicles). The eight comparable companies are similar to the Target Group as they are all engaged in the business of the provision of automotive consultancy related services and they are automobile designers and manufacturers which have products in the substantively similar category as the Target Group's products and the financial information of which is publicly available.

The eight automobile designers and manufacturers identified by the Company are the same as the eight comparables selected by the Independent Valuer in its valuation report as set out in Appendix IV to this circular.

The Board is of the view that the eight comparable companies are reasonably representative of the niche industry the Target Group is in, being the design, development and prototyping of internal combustion engine vehicles and NEVs (including vehicle components and accessories for vehicles). The Board and the Independent Valuer have considered numerous companies whose main business operations are principally engaged in mobility technology solutions in the world and both reached the conclusion that the eight comparable companies are the most relevant as comparables to the Target Group in terms of lines of business, products, market location of the business and other criteria. Please refer to the valuation report as set out in Appendix IV to this circular for further details.

Based on the above, the Board is of the view that taking into account of the parameters above, the selection of the eight comparable companies is exhaustive and sufficient in the context of the acquisition of the Target Group and for valuation purpose, and the Board considered that the eight comparable companies selected are fair and reasonable.

The estimated fair value of the entire equity interest in the Target Group was then derived using (i) the consolidated net profit after taxation as set out in the unaudited consolidated financial statements of the Target Group prepared in accordance with the German Financial Reporting Standards for the financial year ended 30 June 2019 of approximately EUR1,915,000; multiplied by (ii) the median (adopted to avoid outlier impact) of the price-to-earnings multiples (adjusted by size premium differential) of comparable companies of 10.62 as of 31 August 2019, as calculated with reference to the market capitalization and the net profit of comparable companies; and taking into account (iii) adjustments for control premium and discount of lack of marketability. The valuation methodology in deriving the estimated fair value of the entire equity interest in the Target Group is the same as that of the valuation report prepared by the Independent Valuer. Please refer to the valuation report as set out in Appendix IV to this circular for further details.

In addition to the above, the Company relied on the following assumptions to derive the estimated fair value of the entire equity interest in the Target Group:

(1) the comparable companies share sufficient similarities to the underlying business of the Target Group so as to provide a meaningful comparison;

(2) the estimate of the base price-to-earnings multiples of the comparable companies obtained from Bloomberg is assumed to be accurate in reflecting the general performance of those companies and industries;

(3) performance of the Target Group is expected not to significantly deviate from the performance of its industry peers;

(4) there would be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in the countries where the Target Group is carrying on its businesses;

(5) there would be no significant deviation in the industry trends and market conditions from the current market expectation;

(6) there would be no material change in interest rates or foreign currency exchange rates from those currently prevailing;

(7) there would be no major change in the current taxation law in the countries where the Target Group and the comparable companies were operated;

(8) all relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing and that no additional costs or fees are needed to procure such during the application; and

(9) the Target Group will retain competent management, key personnel and technical staff to support the ongoing business operations.

The Directors considered it appropriate to use the above approach for estimation of the fair value of the entire equity interest in the Target Group because such approach is commonly used and adopted by the market for companies in the automobile industry.

After arm's length negotiation between the Vendors and the Company, the Initial Consideration Price was determined at EUR15,000,000 (representing a discount of approximately 11.76% from the estimated fair value of the entire equity interest in the Target Group).

(ii) Further Consideration Price and Consideration Shares

Target profits

The Further Consideration Price in the amount of up to EUR4,200,000 and Consideration Shares of an aggregate value of up to approximately EUR16,800,000 will be paid and issued by the Company to the Vendors only if the consolidated net profit after tax as shown in the audited consolidated financial statements of the Target Group for each of the financial years ending 30 June 2021, 2022 and 2023 is more than or equal to EUR4,600,000. They serve as cash and share incentives for the profit and performance targets of the Target Group for the coming three years.

In determining the amount of target profit for each of the financial years ending 30 June 2021, 2022 and 2023 at EUR4,600,000, the Directors have taken into account (i) the consolidated net profit after tax as shown in the unaudited consolidated financial statements of the Target Group for the past three financial years available by the time of signing the Agreement; and (ii) the growth and prospect of the Target Group and the industry in which the Target Group operates in.

Considering that the Target Group is principally engaged in the design, development and prototyping of internal combustion engine vehicles and NEVs, the Directors are optimistic about the future growth and prospect of the Target Group in the coming years.

The electric mobility market has recorded rapid growth over the past decade. According to the research report titled "Global EV Outlook 2020" issued by International Energy Agency (see: https://www.iea.org/reports/global-ev-outlook-2020), the global electric car fleet in 2019 was approximately 7.2 million, representing a growth of over 40% year-on-year. Further expansion of this market has been continuously fuelled by policies adopted by major countries in favour of electric mobility development (such as fuel economy standards, economic incentives for zero-emission and low-emission vehicles, and investment restrictions for new conventional internal combustion engine vehicles). In addition, technology breakthroughs resulting in substantial cost reductions, both in production of battery and expansion of production capacity of manufacturing plants, as well as positive market sentiments towards policy changes and the shift from conventional internal combustion engine vehicles to electric vehicles also accelerated market growth. Technology advances and market demand complement each other, therefore it is also expected that the Target Group is able to leverage expansion of the EV market for its own business development.

The momentum of the rapid growth of the electric mobility industry is expected to continue for the next decade. According to the research report titled "Global EV Outlook 2019" issued by International Energy Agency (see: https://www.iea.org/reports/global-ev-outlook-2019), global electric car sales are expected to reach 23 million in 2030 taking into account expected new policies in favour of this market. Favourable policies such as incentives and support for the deployment of charging infrastructure will continue to play an important role, while technological advancement will accelerate the electrification of automobiles. These dynamic developments underpin a positive outlook for the increased deployment of EVs. According to the research report titled "Automotive Engineering Services Outsourcing Market Report" issued by Grand View Research (see: https://www.grandviewresearch.com/press-release/global-automotive-engineering-services-outsourcing-eso-market), the market for outsourcing global automotive engineering services is expected to reach approximately US$469.6 billion by 2027, representing a compound annual growth rate of approximately 27.8% from 2020 to 2027. Growing partnerships between OEMs and engineering service providers for leveraging technologies for efficiency and safety enhancement are expected to drive the market. The market has witnessed a technological shift owing to the growing demand for electrification, shared mobility, and autonomous driving. Furthermore, the growing trend of advanced driver-assistance systems, powertrain engineering and connectivity are expected to create more opportunities in the market.

The unexpected COVID-19 outbreak and the resulting lockdown around the globe inevitably slowed the markets, in particular for the first half of 2020. This has caused a significant drop in the Target Group's revenue recognised for the financial year ended 30 June 2020 with a net loss recorded because commencement and implementation of a large number of projects of the Target Group have been delayed due to this unprecedented pandemic and the abrupt interruptions in economic activities. However, the Target Group has confirmed that the adverse impact brought by the outbreak to the Target Group is limited for the following reasons:

(i) it was a delay rather than a permanent drop in demand that was brought by the pandemic. This temporary "stalling" has been rectified by the improved economic outlook and market confidence since the market resumes in the second half of 2020, thus generating demand for the Target Group's services;

(ii) unlike series production in the automobile industry, the research and development business is characterised by rapidly changing parameters, the efficient operational practices established by the Target Group allows it to better accommodate these rapidly changing market movements; and

(iii) the global nature of the Target Group's customer base also shields it from being severely affected by this pandemic. When certain countries are slowed down by COVID-19, other countries did not suffer the same impact at the same time, as evidenced by the impact on the Chinese and European markets which slowed (and picked up) at different times, and therefore the impact on the Target Group as a whole was mitigated.

With the slowdown of the COVID-19 pandemic and more restrictions being lifted, economic activities have been re-commencing, first in China, and gradually around Europe after it made adjustments based on the lessons learnt from the spring lockdown in order to allow manufacturing operations and open international borders. The global automobile market is recovering, and the Target Group is now seeing this period of delay coming to an end. The Target Group confirmed that there has been a considerable increase in the number of requests for quotation and awarded contracts from the end of the second quarter compared to the initial five months of the year and more importantly, the associated project volumes are much higher. The Target Group confirmed that on top of the existing pipeline of projects with value of approximately EUR24.45 million, it is also in the final negotiations with an emerging market client for a fuel cell vehicle production (which is an urban delivery vehicle) and to develop a new EV setup with a total project value of approximately EUR49.0 million. This positive trend is continuing and keeps fuelling the pipeline and the Target Group's confidence that the profit targets for the year ending 30 June 2021, 2022 and 2023 will be achievable.

Meanwhile, the Target Group also confirmed that its customers continue to maintain a cautious approach in view of the uncertainty of the winter wave of COVID-19 infection which could reinstate lockdown in certain areas. Nevertheless, the adverse impacts created by such uncertainties to the business prospect and financial performance of the Target Group are considered to be limited. This is partly attributable to the expectation that lockdowns during the winter wave of the COVID-19 infection may not be of the same massive scale as before, due to the fact that governments have gained experiences from the initial outbreak of the pandemic and are now more prepared and able to respond more quickly to another wave of infection. Further, governments' general recovery policies and specific policies towards the EV and NEV industries in response to COVID-19 are, as of the Latest Practicable Date, favourable and supportive of the market players. According to the research report titled "Global EV Outlook 2020" issued by International Energy Agency (see: https://www.iea.org/reports/global-ev-outlook-2020), the PRC Central Government has adopted measures to encourage cities to relax car permit quotas (at least temporarily), and has strengthened the measures targeting NEVs. While in the European Union, countries such as France and Germany have increasingly adopted supportive measures towards EVs until the end of 2020. Last but not least, auto manufacturing market players, after going through the unexpected hard time when production lines were completely halted, are now more prepared to face pandemic. After taking all these factors into consideration, it is expected that the Target Group will be able to operate through the winter wave of pandemic and achieve its performance targets.

Besides, the Target Group views the "disruptive" effect of COVID-19 as an opportunity. As the markets re-balance, opportunities arise for new customers who can adapt more rapidly than the established players to meet market needs. Some customers may benefit from the additional boost from governmental subsidies and programmes that help the markets recover. As the customer base of the Target Group includes both new and established market players, the Target Group sees the market growth situation in the wake of COVID-19 as positive.

Taking into account the above factors, the Directors expect the Target Group's operations (especially its revenue and net profit) will, barring unforeseen market conditions, remain resilient and would continue to grow in the coming years and thus the profit targets are considered to be fair and attainable based on the Target Group's historical performance and future prospects.

Company's estimation of the fair value of the entire equity interest in the Target Group based on the profit targets

As disclosed above, the fair value of the entire equity interest in the Target Group was estimated to be approximately EUR17,000,000, and the Initial Consideration Price was set at EUR15,000,000 after arm's length negotiation between the Vendors and the Company.

Based on the Initial Consideration Price of EUR15,000,000 and the consolidated net profit after taxation as set out in the unaudited consolidated financial statements of the Target Group prepared in accordance with the German Financial Reporting Standards for the financial year ended 30 June 2019 of approximately EUR1,915,000, a multiple of 7.83 was determined. By multiplying such multiple with the profit target of EUR4,600,000 per year, the Company estimated that the fair value of the entire equity interest in the Target Group based on the profit targets was approximately EUR36,000,000.

Whereas the multiple of 7.83 is determined based on financial statements prepared in accordance with the German Financial Reporting Standards, it is considered appropriate to apply this multiple to the profit targets which will be determined in accordance with the International Financial Reporting Standards. This is because (i) such multiple has been agreed and adopted by the Vendors and the Company after arm's length negotiation; and (ii) as projects of the Target Group usually last for three to six months only, while the major differences between the two financial reporting standards is the different revenue recognition schemes, the impact of such differences on assessing the profit targets of the Target Group is not considered significant in the spectrum of three years, and thus will not jeopardize the fairness or reasonableness of the value of the equity interest of the Target Group.

In any event, it is in the interest of the Company and its Shareholders as a whole to adopt such multiple, which is lower than the aforementioned median of the price-to-earnings multiples of the eight comparable companies listed on the several stock exchanges around the globe (i.e. 10.62). The Board is therefore of the view that the estimation of the fair value of the entire equity interest of the Target Group based on the multiple of 7.83 is fair and reasonable

Therefore after arm's length negotiation between the Vendors and the Company, the parties agreed that the Consideration shall be EUR36,000,000, and the Consideration was then apportioned according to such fair value estimation (i.e. EUR15,000,000 as the Initial Consideration Price and EUR21,000,000 as the Further Consideration Price and Consideration Shares).

As disclosed in the section headed "Consideration" above, the issue price per share of the Consideration Shares will be (a) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for all the Business Days in the three calendar months immediately preceding the date of allotment and issuance of the respective Consideration Shares, or (b) HK$0.52, whichever is higher. In any event, the maximum aggregate number of Consideration Shares to be allotted and issued to the Vendors shall not exceed 281,080,000 Shares.

The minimum issue price per share of the Consideration Shares of HK$0.52 and a cap of 281,080,000 Shares (i.e. the maximum aggregate number of Consideration Shares to be allotted and issued to the Vendors) have been set and agreed by the parties to the Agreement in order to set a limit to the possible dilution of the shareholdings of the Company if the profit target is achieved in all financial years ending 30 June 2021, 2022 and 2023.

Further, as the Vendors are members of the Target Group's existing management team and have extensive experience in the automotive industry and have been with the Target Group since its inception, they have all contributed to the success of the Target Group. Their visions are aligned with that of the Company and they wish to continue to build the Target Group's business and to enjoy its future success. The Directors are of the view that the profit targets will serve as incentives to the Vendors to assist the Target Group to achieve significant profits in the coming years.

(iii) Comparison with valuation by the Independent Valuer

The Company has further engaged an independent qualified valuer, Ravia Global Appraisal Advisory Limited, to conduct a valuation of the business of the Target Group. Market approach has been adopted by the Independent Valuer to determine the fair value of 100% equity interest in the Target Company, which took reference from the price-to-earnings multiples of publicly listed companies that are considered to be comparable to the Target Group. Please refer to Appendix IV to this circular for further information regarding the valuation of the business of the Target Group. According to the valuation report as set out in Appendix IV to this circular, the fair value of 100% equity interest in the Target Company as of 31 March 2020 was approximately EUR22,200,000.

The Initial Consideration Price of EUR15,000,000 represents a discount of approximately 32.43% to the fair value of the entire equity interest in the Target Company as per the valuation report. There is a difference between the total value of the Target Group originally estimated by the Company of approximately EUR17,000,000 and the total value of the Target Group estimated by the Independent Valuer of approximately EUR22,200,000, primarily due to the following reasons:

1. the fair value of the Target Group estimated by the Company was determined with reference to the net profit after taxation of the Target Group of approximately EUR1,915,000 for the year ended 30 June 2019 as shown in the unaudited consolidated financial statements of the Target Group prepared in accordance with the German Financial Reporting Standards (being the latest financial information of the Target Group made available to the Group as at the date of the Agreement) while the fair value of the Target Group estimated by the Independent Valuer was determined with reference to the net profit after taxation of the Target Group of approximately EUR2,555,000 for the twelve-

month period ended 31 March 2020 based on the audited historical financial information of the Target Group prepared in accordance with Hong Kong Financial Reporting Standards as set out in Appendix II to this circular. The key differences between the two financial reporting standards applicable to the Target Group are:

(i) revenue recognition, i.e. revenue is recognized at completion of projects under the German Financial Reporting Standards, whereas revenue is recognized on the basis of the Target Group's efforts or inputs to the satisfaction of its performance obligations under the Hong Kong Financial Reporting Standards;

(ii) impairment of financial assets, i.e. impairment is provided for financial assets under an "incurred loss model" under the German Financial Reporting Standards, whereas impairment is provided for financial assets based on an "expected credit losses model" under the Hong Kong Financial Reporting Standards; and

(iii) lease accounting as lessee, i.e. lease payable is expensed in accordance with the lease term and the remaining lease obligation is disclosed as operating lease commitment under the German Financial Reporting Standards, whereas right-of-use assets and lease liabilities are recognised in the consolidated statement of financial position for almost all leases under the Hong Kong Financial Reporting Standards.

2. the median (adopted to avoid outlier impact) of the price-to-earnings multiples (adjusted by size premium differential) of the comparable companies adopted by the Independent Valuer has (since the original date of valuation by the Company) been adjusted from 10.62 to 10.34.

Since the total value of the Target Group originally estimated by the Company was less than the total value of the Target Group estimated by the Independent Valuer, the Board considered it to be fair and reasonable to maintain the Initial Consideration Price at EUR15,000,000.

The Directors are of the view that it is fair and reasonable for the Company to rely on the valuation report prepared by the Independent Valuer in connection with the valuation as of 31 March 2020 on the entire issued share capital of the Target Company, after taking into account the following factors:

(i) the adverse impact brought by the COVID-19 outbreak and the resulting global lockdown to the financial performance of the Target Group in 2020 is only one-off and of short term;

(ii) the Directors expect the Target Group's operations (especially its revenue and net profit) will remain resilient and would continue to grow in the coming years (see paragraphs headed "(ii) Further Consideration Price and Consideration Shares" above for further details); and

(iii) the Directors consider that the total value of the Target Group as of 31 March 2020 estimated by the Independent Valuer could closely reflect the fair value of the Target Group as of the Latest Practicable Date (as compared to a more up-to-date valuation report which will take time to complete and further delay closing of the transaction which is not in the interest of the Shareholders, and in addition to valuation taking into account COVID-19 impact would not be reflective of the true value of the Target Group).

Taking into account all of the above basis, the Directors are of the view that the Consideration is determined on arm's length basis and is fair and reasonable.

Acquisition Conditions and Long Stop Date

The completion of the Acquisition is conditional upon the fulfilment (or waiver, if applicable) of all the following conditions by 26 February 2021:

(1) the Company being satisfied with the results of the due diligence exercise on each member of the Target Group and the Target Company providing to the Company a certified copy of the independent auditor's report and audited consolidated financial statements of the Target Company for the three financial years ended 30 June 2019 prepared in accordance with the International Financial Reporting Standards;

(2) the Vendors having obtained all necessary authorisations (or waivers) and completed all necessary registrations and filings (if applicable) in relation to the Agreement and the Acquisition;

(3) there being no breach of any of the representations, warranties and undertakings given, and to be given, by each of the Vendors to the Company;

(4) there being no breach of any of the representations, warranties and undertakings given, and to be given, by the Company to the Vendors;

(5) the Shareholders having approved the Agreement and the transactions contemplated thereunder and the Specific Mandate for the issue of the Consideration Shares at the EGM; and

(6) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Consideration Shares (and such listing and permission not subsequently revoked prior to completion of the Acquisition).

The Company is entitled to waive conditions (1), (2) and (3) above and the Vendors are jointly entitled to waive condition (4) above. As at the Latest Practicable Date, none of the conditions above has been fulfilled or waived, and none of the Company or the Vendors has intention to waive any condition.

Completion of the Acquisition

The completion of the Acquisition shall take place within fifteen (15) days after the fulfilment of all the Acquisition Conditions or such other date as the Company and the Vendors may agree in writing.

Upon completion of the Acquisition, the Company will hold 50,000 Sale Shares, representing the entire issued share capital of the Target Company, and the Target Company will become a wholly-owned subsidiary of the Company.

The Consideration Shares

The exchange rate adopted in determining the number of Consideration Shares, if to be allotted and issued pursuant to the Agreement, is the exchange rate to be used for preparing the audited consolidated financial statements of the Target Group for each of the three respective years. The exchange rate adopted in determining the maximum aggregate number of Consideration Shares, i.e. 281,080,000 Shares, was EUR1 = HK$8.7, being the average daily EUR:HK$ rate quoted from the Hong Kong Monetary Authority for the last five (5) consecutive trading days prior to the date of the Agreement. Assuming that the maximum aggregate number of Consideration Shares pursuant to the Agreement will be allotted and issued to the Vendors (i.e. 281,080,000 Shares), the number of Consideration Shares, if fully allotted and issued, represents: (a) approximately 3.90% of the total number of Shares in issue as at the Latest Practicable Date; and (b) approximately 3.30% of the enlarged total issued Shares immediately after the issue of Shares under the Subscription and the Consideration Shares in full (assuming there will be no change to the total number of Shares in issue from the Latest Practicable Date to the date of issue of Shares under the Subscription and the Consideration Shares in full other than the issue of the Consideration Shares by the Company).

The issue price per share of the Consideration Shares is capped at HK$0.52 and it represents:

(i) a premium of 9.47% over the closing price of HK$0.475 per Share as quoted on the Stock Exchange on the date of the Agreement;

(ii) a premium of approximately 6.78% over the average closing price of HK$0.49 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Agreement;

(iii) a premium of approximately 16.85% over the closing price of HK$0.445 per Share as quoted on the Stock Exchange on the date of the Supplemental Agreement;

(iv) a premium of approximately 14.79% over the average closing price of HK$0.453 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Supplemental Agreement;

(v) a premium of approximately 19.54% over the closing price of HK$0.435 per Share as quoted on the Stock Exchange on the date of the Second Supplemental Agreement;

(vi) a premium of approximately 15.30% over the average closing price of HK$0.451 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Second Supplemental Agreement;

(vii) a premium of approximately 31.65% over the closing price of HK$0.395 per Share as quoted on the Stock Exchange on the date of the Third Supplemental Agreement;

(viii) a premium of approximately 33.33% over the average closing price of HK$0.39 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Third Supplemental Agreement;

(ix) a premium of approximately 20.93% over the closing price of HK$0.43 per Share as quoted on the Stock Exchange on the date of the Fourth Supplemental Agreement;

(x) a premium of approximately 20.93% over the average closing price of HK$0.43 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Fourth Supplemental Agreement;

(xi) a discount of approximately 22.39% to the closing price of HK$0.67 per Share as quoted on the Stock Exchange on the date of the Fifth Supplemental Agreement;

(xii) a discount of approximately 21.69% to the average closing price of HK$0.664 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Fifth Supplemental Agreement;

(xiii) a premium of approximately 0.97% over the unaudited net asset value attributable to the owners of the Company of approximately HK$0.515 per share (based on the total number of issued Shares as at 31 March 2020), as set out in the interim results of the Company for the six months ended 31 March 2020;

(xiv) a discount of approximately 19.00% to the unaudited net asset value attributable to the owners of the Company of approximately HK$0.642 per share (based on the total number of issued Shares as at 31 March 2019), as set out in the interim results of the Company for the six months ended 31 March 2019;

(xv) a discount of approximately 5.5% to the audited net asset value attributable to the owners of the Company of approximately HK$0.55 per Share (based on the total number of issued Shares as at 30 September 2019), as set out in the annual report of the Company for the year ended 30 September 2019; and

(xvi) a discount of approximately 21.2% to the audited net asset value attributable to the owners of the Company of approximately HK$0.66 per Share (based on the total number of issued Shares as at 30 September 2018), as set out in the annual report of the Company for the year ended 30 September 2018.

In determining the basis of the maximum issue price per share of the Consideration Shares at HK$0.52, the Directors took into account of the following:

(i) the audited net asset value attributable to the owners of the Company of approximately HK$0.66 per Share (based on the total number of issued Shares as at 30 September 2018), as set out in the annual report of the Company for the year ended 30 September 2018;

(ii) the average Share price of the Company for the last six months of approximately HK$0.44 before the date of the Agreement i.e. 31 October 2019;

(iii) the average Share price of the Company for the last one month of approximately HK$0.47 before the date of the Agreement i.e. 31 October 2019; and

(iv) the average Share price of the Company for the last five days of approximately HK$0.49 before the date of the Agreement i.e. 31 October 2019.

The Company and the Vendors agreed to take the average of the above factors in arriving at the minimum issue price per share of the Consideration Shares at HK$0.52 which the Board considers fair and reasonable.

The Consideration Shares, credited as fully paid and free from all encumbrances if and when issued, shall rank pari passu in all respects with the other Shares in issue or to be issued by the Company on or prior to the date of allotment of the Consideration Shares.

The Consideration Shares (if any) will be issued and allotted under the Specific Mandate to be sought from the Shareholders at the EGM. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Effect on shareholding structure of the Company

As at the Latest Practicable Date, the total number of issued Shares is 7,201,586,562.

As disclosed in the announcement of the Company dated 7 December 2020, the Company entered into the Subscription Agreement with the Subscribers on 7 December 2020 in respect of the Subscription.

For illustrative purpose only, the following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the completion of the Subscription and the issue of the Consideration Shares in full (assuming that (a) there will be no change to the total number of Shares in issue from the Latest Practicable Date to the date of issue of the Consideration Shares in full other than the issue of Shares under the Subscription and the issue of the Consideration Shares by the Company; and (b) the issue price per share of the Consideration Shares is HK$0.52 and the maximum aggregate number of Consideration Shares of 281,080,000 Shares will be allotted and issued to the Vendors):

Shareholders	**As at the Latest Practicable Date**		**Immediately after the issue of Shares under the Subscription and the Consideration Shares in full**	
	Number of Shares	*%*	*Number of Shares*	*%*
Substantial Shareholder and Directors:				
Mr. Ho King Man, Justin *(Note 1)*	1,747,196,474	24.26	1,747,196,474	20.51
Mr. Ho King Fung, Eric *(Note 2)*	19,000,000	0.26	19,000,000	0.22
Mr. Zhang Jinbing *(Note 2)*	3,960,000	0.05	3,960,000	0.05
Mr. Tam Ping Kuen, Daniel *(Note 2)*	960,000	0.01	960,000	0.01
Sub-total:	*1,771,116,474*	*24.59*	*1,771,116,474*	*20.79*
Public Shareholders:				
Vendor A	Nil	Nil	115,244,000	1.35
Vendor B	Nil	Nil	109,620,000	1.29
Vendor C	Nil	Nil	56,216,000	0.66
The Subscribers	31,388,000	0.44	1,066,596,000	12.52
Other public Shareholders	5,399,082,088	74.97	5,399,082,088	63.39
Sub-total:	*5,430,470,088*	*75.41*	*6,746,758,088*	*79.21*
Total number of issued Shares	7,201,586,562	100.00	8,517,874,562	100.00

Notes:

(1) Mr. Ho King Man, Justin beneficially owned 1,747,196,474 Shares, of which (i) 1,699,220,474 Shares are owned through Ruby Charm Investment Limited, a company directly wholly-owned by him; and (ii) 47,976,000 Shares are owned by him personally.

(2) Being Directors.

(3) The numbers in the above table have been subject to rounding adjustments.

Based on the table above, there will not be a change of control of the Company as a result of the Acquisition.

INFORMATION ON THE COMPANY

The Company is principally engaged in investment holding and the principal activities of its subsidiaries are design, development, manufacturing and sales of high performance hypercars, provision of mobility technology solutions, retailing and wholesale of jewellery products and watches, money lending, and property investment.

INFORMATION ON THE VENDORS

Vendor A is an individual who owns 41% of the total issued share capital of the Target Company as at the Latest Practicable Date.

Vendor B is an individual who owns 39% of the total issued share capital of the Target Company as at the Latest Practicable Date.

Vendor C is an individual who owns 20% of the total issued share capital of the Target Company as at the Latest Practicable Date.

INFORMATION ON THE TARGET GROUP

The Target Company is principally engaged in the design, development and prototyping of internal combustion engine vehicles and NEVs, including vehicle components and accessories for vehicles.

Ideenion Design is principally engaged in the styling and design of vehicles and the development of software for vehicles. As at the Latest Practicable Date, 75% of the total issued share capital of Ideenion Design is directly owned by the Target Company.

Ideenion Electronic is principally engaged in the research and development of electronics and software for vehicles and the design, development and manufacturing of prototype electronic systems and components for vehicles. As at the Latest Practicable Date, the entire issued share capital of Ideenion Electronic is directly owned by the Target Company.

Financial information of the Target Group

The audited consolidated financial statements of the Target Group prepared in accordance with the Hong Kong Financial Reporting Standards are set out in Appendix II to this circular. Summarized below is the key financial information of the Target Group extracted from the appendix for the financial years ended 30 June 2018, 2019 and 2020:

	For the financial year ended 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Net profit/(loss) before taxation	58,986	46,645	(3,160)
Net profit/(loss) after taxation	42,353	33,407	(2,547)

In accordance with the audited consolidated financial statements of the Target Group as set out in Appendix II, the net asset value of the Target Group as at 30 June 2020 was approximately HK$151,038,000.

Business operation of the Target Group has been project-based. Commencement and implementation of large research and development concept car projects vary among different customers, meanwhile they are also subject to normal fluctuations caused by achievement of milestones, such as completion and display at exhibitions, the resonance of which then had to be awaited, which in-turn influenced the downstream project development. There has been no seasonal pattern noticed for the Target Group's performance, and capturing different financial year end could give different results.

The net loss for the year ended 30 June 2020 is mainly due to the further delay in planned projects coupled with the lower number of projects entered into during the first five months of 2020, resulting from the unexpected COVID-19 outbreak as mentioned earlier.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group completed the Apollo Acquisition in March 2020. For further details of the Apollo Acquisition, please refer to the section headed "Major acquisition after 30 September 2019 being the date on which the latest published audited consolidated accounts of the Group were made up" in Appendix I to this circular.

The Company has also officially changed its English name to "Apollo Future Mobility Group Limited" with a new company logo and website, so as to highlight its strategic position as a full-service mobility solutions provider.

With the completion of the Group's rebranding and the Apollo Acquisition, the Group now focuses its business development on two pillars, which are Apollo Automobil and Apollo Advanced Technologies. In addition to the development and sales of hypercars and its cross-branding licensing business under the "Apollo" brand, the Group provides one-stop turnkey mobility technology solutions by integrating Apollo Automobil's and the Group's existing electric vehicle technologies, striving to offer the global mobility market with a seamless and comprehensive solution platform for the provision of services from ideation, design, modelling, engineering, simulation, prototype production, actual testing, to the delivery of pre-production prototypes to customers.

Since 2007, the Target Group has been involved in the design, development and manufacturing of prototype vehicle components and electronic systems for international automobile brands. With such advanced design and engineering expertise and long-term experience in the automotive industry, the Directors believe that the Acquisition will help further strengthen the Group's ability in providing cutting edge technological solutions, and will create substantial synergies with the Group's other investments in the automobile business.

The Directors also believe that the Acquisition is in line with the Group's business strategy of expanding its NEV solutions and services and becoming a world leading full solutions provider. Further, the Directors believe that the issue of the Consideration Shares to the Vendors would incentivise the Vendors in procuring enhancement to the financial performance of the Target Group.

The Directors are of the view that the terms of the Agreement are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the Group's consolidated financial statements.

Earnings

Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Group. Further details of the Target Group are set out in "Appendix II — Financial Information of the Target Group" to this circular.

Assets and liabilities

Based on the interim report of the Group for the six months ended 31 March 2020, as at 31 March 2020, the Group had total assets, total liabilities and net assets of approximately HK$4,971.4 million, HK$1,162.4 million and HK$3,809.0 million, respectively.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, if the Acquisition had been completed on 31 March 2020, the total assets and total liabilities of the Enlarged Group would have increased to approximately HK$5,163.6 million and HK$1,358.9 million, respectively, and the net assets of the Enlarged Group would have decreased to approximately HK$3,804.7 million.

The unaudited pro forma combined statement of assets and liabilities of the Enlarged Group as at 31 March 2020 was prepared based on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Further details of the unaudited pro forma financial information of the Enlarged Group immediately following completion of the Acquisition are set out in Appendix III to this circular.

LISTING RULES IMPLICATIONS

The Acquisition

As one or more of the applicable ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The completion of the Acquisition is conditional upon fulfillment of the Acquisition Conditions. The issue of the Consideration Shares is subject to fulfilling certain profit targets under the Agreement. Accordingly, the Acquisition and the issue of the Consideration Shares may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

EGM

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve (i) the Acquisition; and (ii) the grant of the Specific Mandate for the issue of the Consideration Shares. A notice convening the EGM to be held at 11:00 a.m. on Friday, 29 January 2021 at Units 301 and 302, Third Floor, Building 22E, Phase Three, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular, which contains the Ordinary Resolutions to be considered and, if thought fit, passed at the EGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and the issue of the Consideration Shares under the Specific Mandate and no Shareholder is required to abstain from voting under the Listing Rules in respect of any of the Ordinary Resolutions to be proposed at the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Shareholders at the EGM will be taken by poll and a scrutineer will be appointed by the Company for vote taking at the EGM. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof if you so wish.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from Monday, 25 January 2021 to Friday, 29 January 2021 (both days inclusive) for the purpose of determining entitlement of the Shareholders to attend and vote at the EGM, during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the EGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 22 January 2021.

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.

RECOMMENDATION

The Directors consider that the terms of the Agreement and the transactions contemplated thereunder (including the Acquisition involving the issue of the Consideration Shares set out in the notice of the EGM) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Directors recommend the Shareholders to vote in favour of all resolutions to be proposed at the EGM as set out in the notice of the EGM on pages EGM-1 to EGM-3 of this circular.

Yours faithfully,
By order of the Board
Apollo Future Mobility Group Limited
Ho King Fung, Eric
Chairman

1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the past three years ended 30 September 2017, 2018 and 2019 and the six months ended 31 March 2020 are disclosed in the following documents which have been published on the respective websites of the Stock Exchange at (http://www.hkexnews.hk) and the Company at (http://www.apollofmg.com):

(a) the audited financial statements included in the annual report of the Company for the year ended 30 September 2017:

https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0125/ltn20180125536.pdf

(b) the audited financial statements included in the annual report of the Company for the year ended 30 September 2018:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0130/ltn20190130867.pdf

(c) the audited financial statements included in the annual report of the Company for the year ended 30 September 2019:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0123/2020012300005.pdf

(d) the supplemental information to the audited financial statements included in the annual report of the Company for the year ended 30 September 2019 as set out in the announcement of the Company dated 28 April 2020:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042802999.pdf

(e) the unaudited condensed consolidated interim financial statements included in the interim report of the Company for the six months ended 31 March 2020:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0624/2020062400821.pdf

2. WORKING CAPITAL STATEMENT

The Directors, after due and careful considerations, are of the opinion that, taking into account the expected completion of the Acquisition, the internal resources available and the existing available facilities of the Enlarged Group, the Enlarged Group will have sufficient working capital for its present requirements for at least twelve (12) months from the date of publication of this circular in the absence of unforeseen circumstances.

3. INDEBTEDNESS STATEMENT

At the close of business on 31 October 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness of the Enlarged Group was as follows:

Borrowings

The Group had (i) unsecured and unguaranteed bank borrowings of approximately HK$37,964,000; (ii) a secured and unguaranteed bank borrowing of approximately HK$78,755,000, which was secured by the pledge of certain land and building of the Group; and (iii) lease liabilities of approximately HK$22,286,000.

The Target Group had lease liabilities of approximately HK$12,169,000.

Contingent liabilities

The Group had contingent liabilities not provided for in the financial statements in respect of certain corporate guarantees given by a subsidiary of the Company (the ''Subsidiary'') to certain property purchasers who purchased properties from a former investee of the Subsidiary to the extent of HK$54,390,000 in connection with certain property transactions and other arrangements of the former investee in prior years.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have, at the close of business on 31 October 2020, any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

4. FINANCIAL AND TRADING PROSPECTS

Technology breakthroughs have brought rapid and tremendous changes to the global automotive industry. In response to the public awareness of environmental protection, development of EV(s), in particular NEV(s), continues to gain momentum in recent years, especially in the PRC as national policies promote reduction in fossil fuel consumption. This market trend creates a huge opportunity to automotive companies in the country. Meanwhile, due to the rising labor costs, automotive companies call for strategic cost management system in order to maintain their competitiveness, in particular for the small and medium brands. It is expected that more automotive companies will outsource the design, development and manufacturing processes of certain product models, as outsourcing has been heavily utilized by major European automobile companies that have leapt ahead of manufacturers in the PRC and Southeast Asia in the past.

In view of the above market development, the Group has been undergoing a rebranding exercise. By realigning and shifting its business focus to NEV solutions and services, the Group aims at becoming a leading mobility technology solutions provider through a series of strategic acquisitions and partnerships.

Apart from the Acquisition, on 17 March 2020, the Company also completed the acquisition of certain shares of Sino Partner, which is principally engaged in the design, development, manufacturing and sale of high performance hypercars under the brand "Apollo" worldwide. Furthermore, on 12 November 2019, the Company announced the formation of a joint venture with Jiangsu Jemmell New Energy Automobile Company Limited* (江蘇吉麥新能源車業有限公司), a related company of Jiangsu Jinpeng Group Company Limited* (江蘇金彭集團有限公司) to engage in the production and sale of NEVs in the PRC. The Group also entered into a strategic cooperation agreement with Agile Group Holdings Limited, a company listed on the Stock Exchange (stock code: 3383), to establish a partnership to jointly promote the development of NEV's industrial zones in the PRC. Together with the 3D metal printing and EV charging technologies which the Group has invested in, the Group targets to become the leading future mobility solutions provider in China and Asia, and to become the market leader in the industry.

The Acquisition, forming part of the rebranding exercise, is in line with the Group's business strategy, and will have significant synergistic and complementary effects with the other investments of the Group in the automobile businesses, contributing to the Group's development goal.

Notwithstanding the above, the Group experienced lackluster performance in business segments including retailing of jewellery and watches, money lending and property investment, which was mainly attributable to the deteriorated market conditions in recent years. Last year, the Group disposed of a subsidiary which was engaged in the wholesale and retailing of jewellery and watches in Hong Kong and Macau. Further details of the disposal are set out in the Company's announcement dated 29 May 2019. In view of the uncertain and pessimistic outlook, the Group will further look to scale down these businesses going forward.

In 2020, the Group has been rebranding itself as "Apollo Future Mobility Group" to align with its strategic position. The English name of the Company has been changed to "Apollo Future Mobility Group Limited" on 13 March 2020. Following the completion of the milestone investments, the factors which adversely affected the Group's financial performance in the past are expected to subside. The Group is confident that the new acquisitions and strategic initiatives will bring positive contributions and it will continue to explore potential business partnerships and opportunities to fulfil its comprehensive mobility strategy in the future.

The automobile industry has been faced with a complex macro environment and unprecedented challenges in 2020. Production suspension and delivery delays were prevalent worldwide due to the COVID-19 outbreak. NEVs and other vehicle sales plunged as consumers refrained from making new purchases amid economic uncertainty.

As a result, demand for mobility technology solutions (by automobile original equipment manufacturers ("**OEM(s)**")) decreased temporarily. Nonetheless, such demand will remain positive in the long-term as OEMs continue to work on significant cost reductions while outsourcing can offer considerable ongoing cost saving and valuable innovations. Despite the adverse effects of the pandemic, favourable national policies and technological innovations have brought great potential to the mobility industry, especially in the area of NEVs, artificial intelligence and smart mobility (i.e. electric vehicles, autonomous driving and shared cars).

In order to promote stable industrial development, in April 2020, the PRC government introduced a series of favourable policies, such as extending tax exemptions and subsidies for NEVs that were set to expire in 2020. The PRC government has proposed another round of investments in ''new infrastructure'' that NEV manufacturers and parts providers can benefit from, including NEV charging stations and clean energy. In addition, as announced by the PRC government, foreign ownership restrictions on Chinese automobile companies for commercial vehicles and passenger vehicles will be removed in 2020 and 2022 respectively, implying that foreign automobile OEMs will soon be able to operate in the PRC without the need of a local partner. Demand for outsourced advanced mobility solutions by local OEMs sparked as a result of the local OEMs trying to stay competitive in the market.

The PRC NEV industry is further supported by the 14th five-year plan of the country and the national plan for development of the new energy automobile industry in 2021–2035 newly released in November 2020. It is said that the PRC government will improve the green car quota system to guide automakers to make more environmentally friendly vehicles after it ends NEV subsidies, and boost NEV sales for public uses such as bus and trucks. These two policy papers have reflected a clear and strong emphasis on new energy economy on the national level, instilling strong confidence in future rapid expansion of the NEV industry.

Besides, with a view to improve efficiency and reduce costs, automobile manufacturers have also been gradually reducing investments in internalizing research and development (''**R&D**''), and outsourcing has become a prevalent practice across the industry. Factors such as high R&D costs, high upfront costs, lack of inhouse advanced technology are expected to support the growth of the demand for outsourced mobility technology solutions in the PRC and around the world, and therefore it is expected that the Target Group and the Company can enjoy the benefits resulting from such policies and changes in the market.

In respect of the hypercar market, amid economic fallout and production suspension caused by the COVID-19 outbreak, demand for hypercars did not suffer as much as other automobile segments, since the hypercar market targets ultra high-networth individuals and car collectors, a market which is typically non-cyclical.

With the slowdown in the COVID-19 pandemic, the global automobile market (especially in the PRC) is gradually recovering. Strong demand for NEVs and mobility technology solutions are expected to grow with unprecedented opportunities, contributed by favorable national policies and higher demand for advanced mobility technologies which meets the need for better driving experience.

5. MAJOR ACQUISITION AFTER 30 SEPTEMBER 2019 BEING THE DATE ON WHICH THE LATEST PUBLISHED AUDITED CONSOLIDATED ACCOUNTS OF THE GROUP WERE MADE UP

Reference is made to the circular dated 18 February 2020 issued by the Company in respect of the sale and purchase agreement dated 16 May 2019 (as amended and supplemented) entered into among the Company (as buyer), Ideal Team Ventures Limited (as vendor), Mr. Choi Sung Fung alias Mr. Norman Choi (as guarantor) and Sino Partner, in relation to the acquisition of 20,051 shares of Sino Partner, representing approximately 86.06% of its total issued share capital, at the aggregate consideration of up to approximately HK$1,032,720,000 which comprises:

(1) the deposit (the "**Deposit A**") in the amount of HK$20,000,000 as part of the consideration price paid in cash by the Company to the vendor funded by the Group's internal resources upon the signing of the sale and purchase agreement on 16 May 2019, which is not refundable to the Company unless the parties to the Apollo Acquisition did not proceed to completion for any reason attributable to the vendor;

(2) the deposit (the "**Deposit B**") in the amount of HK$20,000,000 as part of the consideration price paid in cash by the Company to the vendor funded by the Group's internal resources upon the signing of the supplemental agreement on 15 August 2019, which is refundable to the Company in the event of the Company and the vendor do not proceed to complete the Apollo Acquisition for any reason;

(3) HK$132,000,000 (being the consideration price of HK$172,000,000 less the Deposit A and Deposit B) payable in cash by the Company to the vendor to be funded by the Group's internal resources upon completion of the Apollo Acquisition; and

(4) (subject to adjustment based on the financial performance of the Apollo Group in the three years ending 31 December 2021) the consideration shares (i.e. up to 1,655,232,000 new Shares of an aggregate value of up to approximately HK$860,720,000) which may be allotted and issued by the Company to the vendor.

Sino Partner is an investment holding company. The Apollo Group is principally engaged in the design, development, manufacturing and sale of high performance hypercars under the brand "Apollo" worldwide.

Apollo is a brand with a long history which has established reputation and goodwill through its many years in the automobile industry. The Apollo brand is well known among car enthusiasts, the media and the general public. The Apollo Group and the Apollo Intensa Emozione (the current car model of Apollo the delivery of which started in November 2019 and is expected to be completed by 2020) have been featured in numerous articles and events worldwide as well as in popular video games.

The Apollo Acquisition was completed on 17 March 2020.

For further details of the Apollo Acquisition, in particular the financial information of Apollo Group, please refer to the circular of the Company dated 18 February 2020.

The aggregate remuneration payable to and benefits in kind receivable by the Directors will not be varied in consequence of the Apollo Acquisition.

(1) ACCOUNTANTS' REPORT ON THE TARGET GROUP

Set out below is the text of a report received from the independent reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, which has been prepared for the purpose of incorporation in this circular.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF APOLLO FUTURE MOBILITY GROUP LIMITED

Introduction

We report on the historical financial information of Ideenion Automobil AG (the ''Target Company'') and its subsidiaries (together the ''Target Group'') set out on pages II-4 to II-85, which comprises the consolidated statements of financial position as at 30 June 2018, 2019 and 2020 and the statements of financial position of the Target Company as at 30 June 2018, 2019 and 2020, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 30 June 2018, 2019 and 2020 (the ''Track Record Period''), and a summary of significant accounting policies and other explanatory information (together the ''Historical Financial Information''). The Historical Financial Information set out on pages II-4 to II-85 forms an integral part of this report, which has been prepared for inclusion in the circular of Apollo Future Mobility Group Limited (the ''Company'') dated 24 December 2020 (the ''Circular'') in connection with the proposed acquisition of the 100% equity interest of the total issued share capital of the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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 the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 30 June 2018, 2019 and 2020, the Target Group's financial position as at 30 June 2018, 2019 and 2020 and of the Target Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

BDO Limited
Certified Public Accountants
Chan Tsz Hung
Practising Certificate no. P06693

Hong Kong
24 December 2020

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Group for the Track Record Period (also referred to as the "Relevant Periods"), on which the Historical Financial Information is based, were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA (the "Underlying Financial Statements") and were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

		Year ended 30 June		
		2018	**2019**	**2020**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*7*	**160,273**	**154,951**	**59,709**
Cost of sales		(79,701)	(85,545)	(39,644)
Gross profit		**80,572**	**69,406**	**20,065**
Other income, gains and losses, net	*7*	670	326	256
Addition of expected credit loss/impairment loss for doubtful debts, net		—	(608)	(315)
Administrative and other operating expenses		(22,248)	(22,472)	(22,896)
Finance costs	*10*	(8)	(7)	(270)
Profit/(loss) before income tax	*8*	**58,986**	**46,645**	**(3,160)**
Income tax (expense)/credit	*11*	(16,633)	(13,238)	613

	Year ended 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Profit/(loss) for the year	**42,353**	**33,407**	**(2,547)**
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation to presentation currency	1,773	(4,206)	(3,114)
Total comprehensive income for the year	**44,126**	**29,201**	**(5,661)**
Profit/(loss) for the year attributable to:			
Owners of the Target Company	41,349	33,532	(2,059)
Non-controlling interests	1,004	(125)	(488)
	42,353	**33,407**	**(2,547)**
Total comprehensive income for the year attributable to:			
Owners of the Target Company	43,140	29,359	(5,149)
Non-controlling interests	986	(158)	(512)
	44,126	**29,201**	**(5,661)**

Consolidated Statements of Financial Position

		As at 30 June		
		2018	**2019**	**2020**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Plant and equipment	*13*	8,636	10,037	7,819
Intangible assets	*14*	913	667	726
Deferred tax assets	*11(c)*	26	305	454
Right-of-use assets	*24*	—	—	13,201
Total non-current assets		**9,575**	**11,009**	**22,200**
Current assets				
Trade receivables	*15*	5,268	32,572	22,369
Contract assets	*16(a)*	—	22,385	13,359
Amounts due from customers for contract work	*17*	17,994	—	—
Deposits, prepayments and other receivables	*18*	6,032	3,271	3,371
Loans to a director and shareholders	*19*	20,633	19,797	19,396
Tax recoverable		—	619	997
Financial assets at fair value through profit or loss	*20*	27,670	23,949	—
Cash and bank balances		68,103	92,633	95,776
Total current assets		**145,700**	**195,226**	**155,268**
Current liabilities				
Trade and other payables	*21*	14,026	14,112	6,411
Contract liabilities	*16(b)*	—	18,475	—
Amounts due to customers for contract work	*17*	630	—	—
Lease liabilities	*24*	—	—	3,987
Income tax payable		11,853	9,390	4,684
Total current liabilities		**26,509**	**41,977**	**15,082**
Net current assets		**119,191**	**153,249**	**140,186**
Total assets less current liabilities		**128,766**	**164,258**	**162,386**

		As at 30 June		
		2018	**2019**	**2020**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities				
Deferred tax liabilities	*11(c)*	655	7,063	2,282
Lease liabilities	*24*	—	—	9,066
Total non-current liabilities		**655**	**7,063**	**11,348**
Net assets		**128,111**	**157,195**	**151,038**
Equity attributable to owners of the Target Company				
Share capital	*22(a)*	430	430	430
Reserves		126,602	155,689	150,115
Total equity attributable to owners of the Target Company		**127,032**	**156,119**	**150,545**
Non-controlling interests		**1,079**	**1,076**	**493**
Total equity		**128,111**	**157,195**	**151,038**

Consolidated Statements of Changes in Equity

	Attributable to owners of the Target Company						
	Share capital *HK$'000* *(Note 22(a))*	**Statutory reserve** *HK$'000* *(Note 22(c))*	**Foreign exchange reserve** *HK$'000* *(Note 22(c))*	**Retained earnings** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
At 1 July 2017	430	56	3,265	82,010	85,761	93	85,854
Profit for the year	—	—	—	41,349	41,349	1,004	42,353
Other comprehensive income for the year:							
Exchange differences on translation to presentation currency	—	—	1,791	—	1,791	(18)	1,773
Total comprehensive income for the year	—	—	1,791	41,349	43,140	986	44,126
Dividend paid *(Note 12)*	—	—	—	(1,869)	(1,869)	—	(1,869)
Transferred to statutory reserve	—	32	—	(32)	—	—	—
At 30 June 2018	430	88	5,056	121,458	127,032	1,079	128,111
Initial application of HKFRS 9	—	—	—	(272)	(272)	—	(272)
Restated balances at 1 July 2018	430	88	5,056	121,186	126,760	1,079	127,839

	Attributable to owners of the Target Company						
	Share capital *HK$'000* *(Note 22(a))*	**Statutory reserve** *HK$'000* *(Note 22(c))*	**Foreign exchange reserve** *HK$'000* *(Note 22(c))*	**Retained earnings** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
Profit/(loss) for the year	—	—	—	33,532	33,532	(125)	33,407
Other comprehensive income for the year:							
Exchange differences on translation to presentation currency	—	—	(4,173)	—	(4,173)	(33)	(4,206)
Total comprehensive income for the year	—	—	(4,173)	33,532	29,359	(158)	29,201
Contributions from non-controlling interest equity holders of subsidiary	—	—	—	—	—	155	155
At 30 June 2019 and 1 July 2019	430	88	883	154,718	156,119	1,076	157,195
Profit/(loss) for the year	—	—	—	(2,059)	(2,059)	(488)	(2,547)
Other comprehensive income for the year:							
Exchange differences on translation to presentation currency	—	—	(3,090)	—	(3,090)	(24)	(3,114)
Total comprehensive income for the year	—	—	(3,090)	(2,059)	(5,149)	(512)	(5,661)
Acquisition of non-controlling interests *(Notes 29(i), 29(ii), 30(b) and 30(c))*	—	—	—	(425)	(425)	(71)	(496)
At 30 June 2020	430	88	(2,207)	152,234	150,545	493	151,038

Consolidated Statements of Cash Flows

		Year ended 30 June		
		2018	**2019**	**2020**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from operating activities				
Profit/(loss) before income tax		58,986	46,645	(3,160)
Adjustments for:				
Amortisation of intangible assets	*8*	405	457	451
Depreciation of plant and equipment	*8*	2,313	2,418	2,240
Depreciation of right-of-use-assets	*8*	—	—	4,259
Dividend income	*7*	(232)	(778)	(249)
Interest income	*7*	(261)	(245)	(243)
Finance costs	*10*	8	7	270
Fair value loss on financial assets at FVTPL	*7*	219	527	—
(Gain)/loss on disposal of plant and equipment	*7*	(18)	13	(132)
(Gain)/loss on disposal of financial assets at FVTPL	*7*	(273)	585	605
Addition of expected credit loss/ impairment loss for doubtful debts, net		—	608	315
Written off of plant and equipment	*8*	18	—	326
Operating profit before working capital changes		**61,165**	**50,237**	**4,682**
Decrease/(increase) in trade receivable		10,229	(27,910)	9,895
(Increase)/decrease in contract assets		—	(4,579)	9,028
Increase/(decrease) in contract liabilities		—	17,845	(18,475)
Increase in amounts due from customers for contract work		(13,914)	—	—
Decrease in amounts due to customers for contract work		(2,156)	—	—
Decrease/(increase) in deposits, prepayments and other receivables		(3,102)	2,761	(100)
Increase/(decrease) in trade and other payables		3,679	90	(7,346)
Cash generated from operating activities		**55,901**	**38,444**	**(2,316)**
Tax paid		(8,133)	(10,085)	(9,401)
Net cash generated from/(used in) operating activities		**47,768**	**28,359**	**(11,717)**

	Year ended 30 June		
	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from investing activities			
Purchase of plant and equipment	(790)	(4,134)	(643)
Proceeds from disposal of plant and equipment	137	1	236
Additions to intangible assets	(729)	(238)	(524)
Dividend income received	232	778	249
Interest income received	261	245	243
Payments for purchase of financial assets at FVTPL	(30,574)	(35,304)	(9,647)
Proceeds from disposal of financial assets at FVTPL	7,943	37,254	33,408
Loans to a director and shareholders	(4,585)	—	—
Acquisition of non-controlling interests	—	—	(496)
Net cash (used in)/generated from investing activities	**(28,105)**	**(1,398)**	**22,826**
Cash flows from financing activities			
Dividend paid	(1,869)	—	—
Finance cost paid	(8)	(7)	—
Repayment of principal on lease liabilities	—	—	(4,406)
Repayment of interest on lease liabilities	—	—	(270)
Decrease in loan from a subsidiary's shareholder	—	—	(353)
Capital injection from non-controlling interests	—	155	—
Net cash (used in)/generated from financing activities	**(1,877)**	**148**	**(5,029)**
Net increase in cash and cash equivalents	**17,786**	**27,109**	**6,080**
Cash and cash equivalents at beginning of year	**48,775**	**68,103**	**92,633**
Effect of foreign exchange rate changes	**1,542**	**(2,579)**	**(2,937)**
Cash and cash equivalents at end of year	**68,103**	**92,633**	**95,776**
Analysis of cash and cash equivalents balances			
Cash and bank balances	68,103	92,633	95,776

Statements of Financial Position

		As at 30 June		
		2018	**2019**	**2020**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Plant and equipment	*13*	8,534	9,865	7,665
Intangible assets	*14*	766	505	635
Investments in subsidiaries	*29*	300	580	762
Right-of-use assets	*24*	—	—	12,463
Total non-current assets		**9,600**	**10,950**	**21,525**
Current assets				
Trade receivables	*15*	5,268	32,259	21,661
Contract assets	*16(a)*	—	22,385	13,359
Amounts due from customers for contract work	*17*	17,994	—	—
Deposits, prepayments and other receivables	*18*	5,637	3,007	3,034
Amount due from a subsidiary	*29*	1,183	2,057	111
Loans to a director and shareholders	*19*	20,633	19,797	19,396
Tax recoverable		—	619	608
Financial assets at fair value through profit or loss	*20*	27,670	23,949	—
Cash and bank balances		64,185	86,738	94,806
Total current assets		**142,570**	**190,811**	**152,975**
Current liabilities				
Trade and other payables	*21*	12,403	12,429	5,622
Contract liabilities	*16(b)*	—	18,475	—
Amounts due to customers for contract work	*17*	630	—	—
Amounts due to subsidiaries	*29*	2,411	786	206
Lease liabilities	*24*	—	—	3,904
Income tax payable		10,802	8,347	4,495
Total current liabilities		**26,246**	**40,037**	**14,227**
Net current assets		**116,324**	**150,774**	**138,748**
Total assets less current liabilities		**125,924**	**161,724**	**160,273**

		As at 30 June		
		2018	2019	2020
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities				
Deferred tax liabilities	*11(d)*	642	7,063	2,282
Lease liabilities	*24*	—	—	8,414
Total non-current liabilities		**642**	**7,063**	**10,696**
Net assets		**125,282**	**154,661**	**149,577**
Equity				
Share capital	*22(a)*	430	430	430
Reserves	*22(b)*	124,852	154,231	149,147
Total equity		**125,282**	**154,661**	**149,577**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company was incorporated under the laws of Germany with limited liability on 25 August 2014. Its registered office is located at Lilienthalstraße 17, 85080 Gaimersheim, Germany.

The Target Company is engaged in design, development and prototyping of vehicle components. Details of the activities of its subsidiaries are set out in Note 29.

2. BASIS OF PREPARATION AND PRESENTATION

(a) Statement of compliance

The Historical Financial Information set out in this report has been prepared in conformity with HKFRSs, Hong Kong Accounting Standards (''HKASs'') and Interpretations (hereinafter collectively referred to as the ''HKFRS'') issued by the HKICPA and the applicable disclosure requirements of the Listing Rules.

The HKICPA has issued a number of new and revised HKFRS. For the purpose of preparing this Financial Information, the Target Group has adopted all applicable new and revised HKFRS during the Relevant Periods, except for any new or revised standards or interpretations that are not yet effective for and have not been early adopted by the Target Group, details of which are set out in Note 3.

(b) Basis of measurement

The Historical Financial Information has been prepared under the historical cost basis, except for financial assets at fair value through profit or loss which is measured at fair value as explained in the accounting policy set out in Note 4.

(c) Functional and presentation currency

The functional currency of the Target Company is Euro, while the Historical Financial Information is prepared for inclusion in this circular, the director of the Target Company considers that it is more appropriate to adopt Hong Kong dollars (''HK$'') as the Target Group's and the Target Company's presentation currency. All Historical Financial Information presented in HK$ has been rounded to the nearest thousand (HK$'000) except otherwise stated.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

(a) Changes in accounting policies and disclosures

For the purposes of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Company has consistently adopted accounting policies which conform with HKFRSs, amendments and the related interpretations, which are effective for the accounting period beginning on 1 July 2019 throughout the Relevant Periods except the following standards and amendments which have been adopted during the Relevant Periods at their respective effective dates as follows:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HKFRS 16	Leases[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019

The nature and the impact of the new and revised HKFRSs are described below:

HKFRS 9 — Financial Instruments

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 July 2018 has resulted in changes in accounting policies of the Target Group and the amounts recognised in the consolidated financial statements.

The following table summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained earnings as of 1 July 2018 as follows:

	HK$'000
Retained earnings as at 30 June 2018	121,458
Recognition of expected credit losses on trade receivables	(49)
Recognition of expected credit losses on contract asset	(149)
Recognition of expected credit losses on loans to a director and shareholders	(190)
Deferred tax liabilities of recognition of expected credit losses on trade receivables, contract assets and loans to a director and shareholders	109
Exchange alignment	7
Restated retained earnings as at 1 July 2018	121,186

HKFRS 9 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 ("FVTPL"), 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 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Target Group's accounting policies related to financial liabilities. The impact of HKFRS 9 on the Target Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Target Group could irrecoverably elect to represent subsequent changes in the investment's fair value in other comprehensive income. The election is made on an investment–by–investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Target Group may irrecoverably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Target Group's financial assets:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt instruments)	Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity instruments)	Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

The following table summarises the original measurement categories under HKAS 39 and the new measurement outgoing under HKFRS 9 for each class of the Target Group's financial assets as at 1 July 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 July 2018 under HKAS 39** *HK$'000*	**Carrying amount as at 1 July 2018 under HKFRS 9** *HK$'000*
Trade receivables	Loans and receivables	Amortised cost	5,268	5,219
Deposits and other receivables	Loans and receivables	Amortised cost	89	89
Loans to a director and shareholders	Loans and receivables	Amortised cost	20,633	20,443
Listed debt securities	Held-for-trading	Financial assets at FVTPL	20,565	20,565
Listed equity securities	Held-for-trading	Financial assets at FVTPL	6,740	6,740
Derivative financial instruments	Held-for-trading	Financial assets at FVTPL	365	365
Cash and bank balances	Loans and receivables	Amortised cost	68,103	68,103

The adoption of HKFRS 9 did not have a significant impact on the classification and measurement of the Target Group's financial assets. Trade receivables, deposits and other receivables and loans to a director and shareholders are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Target Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under HKFRS 9. Therefore, reclassification for these instruments is not required. These financial assets continue to be measured at amortised cost and are subsequently measured using effective interest rate method.

Listed equity securities, listed debt securities and derivative financial instruments are continued to be measured at FVTPL.

The new requirement under HKFRS 9 affected the accounting for financial liabilities that are designated at FVTPL. There was no impact on the Target Group's accounting for financial liabilities as at 1 July 2018, as the Target Group did not have any financial liabilities designated at FVTPL as of the date.

(i) Impairment of financial assets

The adoption of HKFRS 9 has changed the Target Group's impairment model by replacing the HKAS 39 ''incurred loss model'' to the ''expected credit losses (''ECLs'') model''. HKFRS 9 requires the Target Group to recognise ECLs for trade receivables, financial assets at amortised cost and contract assets earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment was immaterial for the current year.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12-months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Target Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Target Group has established a provision matrix that is based on the Target Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Target Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Target Group's historical experience and informed credit assessment and including forward-looking information.

The Target Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

The Target Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Target Group in full, without recourse by the Target Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

The Target Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Target Group in full, without recourse by the Target Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECLs model

Impairment of trade receivables and contract assets

As mentioned above, the Target Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables and contract assets. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 July 2018 was determined as follows for trade receivables and contract assets as follows:

Trade receivables

			Past due				
	Credit-impaired receivables	**Current**	**1–30 days**	**31–90 days**	**91–365 days**	**1–2 years**	**Total**
Expected credit loss rate	100%	0.83%	0.83%	0.83%	0.83%	24.50%	6.79%
Gross carrying amount *(HK$'000)*	331	3,471	439	396	938	24	5,599
Expected credit losses *(HK$'000)*	331	29	4	3	7	6	380

Contract assets

At 1 July 2018	
Expected credit loss rate	0.83%
	HK$'000
Gross carrying amount	17,994
Expected credit losses	149

Impairment of loans to a director and shareholders and deposits and other receivables

Other financial assets at amortised cost of the Target Group includes deposits, other receivables and loans to a director and shareholders. The Target Group has recognised impairment on loans to a director and shareholders amounted to HK$190,000 as at 1 July 2018 and further impairment of HK$7,000 and HK$9,000 for the years ended 30 June 2019 and 2020 respectively under the ECLs model. For the remaining financial assets, the Target Group has not recognised any impairment as at 1 July 2018, 30 June 2019 and 2020 as the amount of impairment measured under the ECLs model is immaterial.

(ii) Transition

The Target Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassification and the adjustments, if any, arising from the new ECLs rules are therefore not reflected in the consolidated statements of financial position as at 30 June 2018, but are recognised in the consolidated statement of financial position on 1 July 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 July 2018. Accordingly, the information presented for the year ended 30 June 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held; and

- The designation and revocation of previous designations of certain financial assets as measured at FVTPL; and

- The designation of certain investments in equity instruments not held for trading to be classified as at FVTPL.

HKFRS 15 — Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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 obligations
Step 5:	Recognise revenue when each performance obligation is satisfied

Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring the control of goods or services to a customer.

The Target Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Target Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 July 2018). As a result, the financial information presented for the year ended 30 June 2018 has not been restated.

The details of the nature and effect of the changes on application of HKFRS 15 are set out below:

Presentation of contract assets

Upon the adoption of HKFRS 15, amounts previously recognised as "Amounts due from customers of contract work" has been reclassified to "Contract assets".

Presentation of contract liabilities

Under HKFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Target Group recognises the related revenue. For a single contract with the customer, a net contract liability is presented. For multiple contracts, contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances related to advance received from customers were presented in the consolidated statements of financial position under "Amounts due to customers for contract work".

The adoption of HKFRS 15 has no impact on the opening balance of retained earnings as at 1 July 2018.

The following tables summarised the impact of adopting HKFRS 15 on the Target Group's consolidated statement of financial position as at 30 June 2019:

	Before adoption of HKFRS 15	**Impact of adoption of HKFRS 15 as at 30 June 2019**	**As reported**
	HK$'000	*HK$'000*	*HK$'000*
Amounts due from customers for contract work	22,385	(22,385)	—
Contract assets	—	22,385	22,385
Amounts due to customers for contract work	18,475	(18,475)	—
Contract liabilities	—	18,475	18,475

There was no material impact on the Target Group's consolidated statements of profit or loss and other comprehensive income and consolidated statements of cash flows for the year ended 30 June 2019.

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Target Group's various services are set out below:

Service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 July 2018
Design, development and prototyping of vehicle components	The Target Group recognises revenue from design, development and prototyping of vehicle components over time as services are rendered. The promised service is design, development and prototyping of vehicle components and the Target Group is acting as a principal. The Target Group measures progress towards complete satisfaction of a performance obligation at the end of the reporting period using input method, which is to recognise revenue on the basis of the Target Group's efforts or inputs to the satisfaction of a performance obligation (i.e. contract costs incurred to date) relative to the total expected inputs to the satisfaction of that performance obligation (i.e. total estimated contract costs), that best depict the Target Group's performance in transferring control of goods or services. There is no obligation for returns, refunds or other similar obligations. There is no warranty or related obligations. Progress payment is made with average credit term of 30 days. There is no significant financing component or variable consideration.	HKFRS 15 did not result in significant impact on the Target Group's accounting policies. However, upon the adoption of HKFRS 15, the Target Group has to make reclassification from amounts due from customers of contract work and retention receivables to contract assets since under HKFRS 15, if there is any satisfied performance obligation but where the entity does not have an unconditional right to consideration, an entity should recognise a contract asset. Upon the adoption of HKFRS 15, the Target Group has also made reclassification from amounts due to customers of contract work to contract liabilities.
Other service income	The Target Group recognises revenue from other service at a point in time or over time based on the timing of transfer of control.	HKFRS 15 did not result in significant impact on the Target Group's accounting policies.

Amendments to HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Target Group first adopted HKFRS 15 including the clarifications for the accounting year beginning on 1 July 2018.

HKFRS 16 — Leases

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Target Group's accounting policies and the transition method adopted by the Target Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

The Target Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 30 June 2019 to that of 1 July 2019 as follows (increase/(decrease)):

Consolidated statement of financial position as at 1 July 2019

	HK$'000
Right-of-use assets	17,840
Lease liabilities (non-current)	(13,317)
Lease liabilities (current)	(4,523)
Retained earnings	—

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 30 June 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 July 2019:

Reconciliation of operating lease commitment to lease liabilities

	HK$'000
Operating lease commitment as of 30 June 2019	18,731
Less: future interest expenses	(891)
Total lease liabilities as of 1 July 2019	17,840
The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 July 2019 is	1.95%

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Target Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value.

The Target Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Target Group measures the right-of-use assets applying a cost model. Under the cost model, the Target Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Target Group has leased a number of properties under tenancy agreements which the Target Group exercises it judgement and determines that it is a separate class of asset. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Target Group shall use the Target Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Transition

As mentioned above, the Target Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application (1 July 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Target Group has recognised the lease liabilities at the date of 1 July 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 July 2019.

The Target Group has elected to recognise all the right-of-use assets at 1 July 2019 for leases previously classified operating leases under HKAS 17 at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application. For all these right-of-use assets, the Target Group has applied HKAS 36 Impairment of Assets at 1 July 2019 to assess if there was any impairment as on that date.

The Target Group has applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Target Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

(b) Issued but not yet effective Hong Kong Financial Reporting Standards

The following new/revised HKFRSs, potentially relevant to the Historical Financial Information, have been issued, but are not yet effective and have not been early adopted by the Target Group.

Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendment to HKFRS 16	COVID-19 Related Rent Concessions[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[6]
Amendments to HKAS 16	Property, plant and equipment: Proceeds before intended use[5]
Amendments to HKAS 37	Onerous contract-cost of fulfilling a contract[5]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 9 Financial Instruments[5]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for business combinations where the acquisition date is on or after 1 January 2020
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.
4 Effective for annual periods beginning on or after 1 June 2020
5 Effective for annual periods beginning on or after 1 January 2022
6 Effective for annual periods beginning on or after 1 January 2023

Amendments to HKAS 1 and HKAS 8 — Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 3 — Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process". Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKFRS 3 — Reference to the Conceptual Framework

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendment to HKFRS 16 — COVID-19 Related Rent Concessions

The amendment provide lessees with an exemption from the requirement to determine whether a COVID-19 — Related rent concessions is a lease modification and require lessees that apply the exemption to account for COVID-19 — Related rent concessions as if they were not lease modification.

Amendment to HKAS 1 — Classification of Liabilities as Current or Non-current

The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are no relevant. The amendments clarify the situations that are considered settlement of a liability.

Amendment to HKAS 16 — Property, plant and equipment: Proceeds before intended use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

Amendment to HKAS 37 — Onerous contract-cost of fulfilling a contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Annual Improvements to HKFRSs 2018–2020 — Amendments to HKFRS 9 Financial Instruments

The amendment to HKFRS 9 clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

The Target Group has already commenced an assessment of the impact of these new/revised HKFRSs. The director of the Target Company anticipate that the application of new/revised HKFRSs will have no material impact on the result and the financial position of the Target Group.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Target Company and its subsidiaries (the ''Target Group''). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of profit or loss and 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 into line with those used by other members of the Target Group.

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 subsidiary 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.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Target Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

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.

(b) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Target Company's voting rights and potential voting rights.

The results of subsidiaries are included in the Target Company's statement of profit or loss to the extent of dividends received and receivable. The Target Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are stated at cost less any impairment losses.

(c) Plant and equipment

Plant and equipment are stated in the consolidated statements of financial position at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each item of plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of leases terms and 7–10 years
Machinery	2–6 years
Office equipment	3–15 years
Motor vehicles	2–6 years

Where parts of an item of plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between these parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of plant and equipment.

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 repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(d) Intangible assets (other than goodwill)

Intangible assets acquired separately are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

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

Software	3 years

(e) Leases (accounting policies applied from 1 July 2019)

A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Target Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

The Target Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Under the cost model, the Target Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Target Group shall use the Target Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Where the Target Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(f) Leases (accounting policies applied until 30 June 2019)

The Target Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(g) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— Plant and equipment

— Intangible assets

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs of disposal 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 assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(h) Financial Instruments (accounting policies applied from 1 July 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Target Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Target Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income (''FVOCI''): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss (''FVTPL''): Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Target Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Target Group recognises loss allowances for expected credit loss (''ECL'') on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and all the cash flows that the Target Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Target Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Target Group has established a provision matrix that is based on the Target Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Target Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Target Group's historical experience and informed credit assessment and including forward-looking information.

The Target Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

The Target Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Target Group in full, without recourse by the Target Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Target Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and lease liabilities are 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 a financial asset or financial liability and of allocating interest income or interest expense over the Relevant Periods. 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) Derecognition

The Target Group derecognises a financial asset when the contractual rights 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 HKFRS 9.

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

(i) Financial Instruments (accounting policies applied until 30 June 2018)

(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 at fair value through profit or loss are initially measured at fair value and all other 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.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets 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 other 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;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss 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.

(iii) Financial liabilities

The Target Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables are 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 a financial asset or financial liability and of allocating interest income or interest expense over the Relevant Periods. 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) Derecognition

The Target Group derecognises a financial asset when the contractual rights 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.

(j) Revenue recognition (accounting policies applied from 1 July 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Target Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Target Group performs; or
- does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Target Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Further details of the Target Group's revenue and other income recognition policies are as follows:

(i) Revenue from design, development and prototyping of vehicle components is recognised over time as services are rendered. The promised service is design, development and prototyping of vehicle components and the Target Group is acting as a principal. The Target Group measures progress towards complete satisfaction of a performance obligation at end of the reporting period using input method by reference to the contract costs incurred to date as a proportion of the total estimated contract costs that best depict the Target Group's performance in transferring control of goods or services. There is no obligation for returns, refunds or other similar obligations. There is no warranty or related obligations. Progress payment is made with average credit term of 30 days. There is no significant financing component or variable consideration.

(ii) Other service income is recognised at point in time or over time based on the timing of transfer of control.

(k) Revenue recognition (accounting policies applied until 30 June 2018)

Revenue is measured at the fair value of the consideration received or receivable. 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 in profit or loss as follows:

(i) When the outcome of contracts can be estimated reliably, revenue from design, development and prototyping of vehicle components is recognised according to the percentage of completion of individual contract at the end of the reporting period.

(ii) Other service income is recognised when the services are rendered.

(l) Contract assets and liabilities (accounting policies applied from 1 July 2018)

A contract asset represents the Target Group's right to consideration in exchange for services that the Target Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Target Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Target Group's obligation to transfer goods or services to a customer for which the Target Group has received consideration (or an amount of consideration is due) from the customer.

Contract asset is recognised when the Target Group completes the design, development and prototyping work under such services contracts but yet accepted and approved by customers. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the input method then the Target Group recognises a contract liability for the difference.

For a single contract with the customer, a net contract liability is presented. For multiple contracts, contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(m) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

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 period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Target Group can no longer withdraw the offer of those benefits and when it recognised restructuring costs involving the payment of termination benefits.

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Target Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Target Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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 of economic benefits is remote. Possible obligations, whose existence 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.

(p) Foreign currency

Transactions entered into by Target Group in currencies other than the currency of the primary economic environment in which it/they operate(s) (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.

On consolidation, income and expense items are translated into the presentation currency of the Target Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Target Group's net investment are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

(q) 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 a parent of the Target Company.

(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 family members 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.

(r) Government grants

Government grants are not recognised until there is reasonable assurance that the Target Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Target Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The 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 period are discussed below.

(a) Useful lives and residue values of plant and equipment and intangible assets

Useful lives of the Target Group's plant and equipment and intangible assets with definite useful life are defined as the period over which they are expected to be available for use by the Target Group. This estimate is based on the historical experience of the actual useful lives of plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation or amortisation charge where useful lives are less than previously estimated lives, and it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in useful lives and residual values and therefore depreciation or amortisation expense in future periods.

(b) Impairment of plant and equipment and intangible assets

Plant and equipment and intangible assets with definite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The intangible assets with indefinite useful life are reviewed at least annually for impairment. The recoverable amounts are determined based on value-in-use calculations or market valuations. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which require significant judgement relating to items such as the level of turnover and the amount of operating costs. No impairment was provided during the year.

(c) Income taxes

The Target Group is mainly subject to income taxes Germany. The Target Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Target Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. 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 provisions in the period in which such determination is made.

(d) Allowance for ECLs on trade receivables, contract assets, loans to a director and shareholders and deposits and other receivables

Since the adoption of HKFRS 9 on 1 July 2018, the allowance for ECLs on the receivables and contract assets are estimated based on assumptions about the risk of default and credit risk of respective receivables. The loss allowance amount is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective receivables. Such assessment involves high degree of estimation and uncertainty. When the actual future cash flows are less or more than expected, a material ECLs or material reversal of ECLs may arise, accordingly.

ECL are measured as an allowance equal to 12-month ECL or lifetime ECL for respective receivables and contract assets. An asset will use lifetime ECL when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Target Group takes into account quantitative and qualitative reasonable and supportable forward looking information including available customers' historical data and existing and forecast market conditions.

(e) Revenue recognition

Revenue from design, development and prototyping of vehicle components is recognised using input method which requires the estimation of contract costs and gross profit margin of each contract. Contract costs and gross profit margin of individual contract is determined based on budget of the contract which was prepared by the management. In order to ensure that the total estimated contract costs are accurate and up-to-date such that gross profit margin can be estimated reliably, management reviews the costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs and revise the estimated contract costs where necessary. Notwithstanding that, the management regularly reviews and revises the estimates of both contract costs and gross profit margin for the contracts as the contracts progress, the actual contract costs and gross profit margin may be higher or lower than the estimations and that will affect the revenue and gross profit recognised.

6. SEGMENT INFORMATION

For management purposes, the Target Group has only one reportable operating segment which is the design, development, and prototyping of vehicle components internationally. Since this is the only one reportable operating segment of the Target Group, no further operating segment analysis thereof is presented.

a. Geographical information

The Target Group's operations are located in Germany. The following tables provide analysis of the Target Group's revenue, non-current assets and major customers by geographical area:

Revenue from external customers

	Year ended 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Germany	77,749	81,358	49,767
USA	65,131	43,693	8,215
Hong Kong	15,454	14,147	304
Italy	662	3,608	—
Austria	—	10,827	365
PRC	—	576	402
Slovakia	801	497	—
UK	166	—	—
Others	310	245	656
	160,273	154,951	59,709

The revenue information above is based on the location of customers.

b. Non-current assets

All non-current assets are located in Germany.

c. Information about major customers

Revenue from each major customer which accounted for 10% or more of the Target Group's revenue for the Relevant Periods is set out below:

	Year ended 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Customer A	20,283	28,942	N/A#
Customer B	65,131	43,667	N/A#
Customer C	33,265	26,327	34,201
Customer D	N/A#	N/A#	10,092

The corresponding revenue of these customers is not disclosed as they individually did not contribute 10% or more of the Target Group's total gross revenue for the Relevant Periods.

7. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET

	Year ended 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15			
Design, development and prototyping of vehicle components	157,342	152,413	59,125
Other service income	2,931	2,538	584
	160,273	154,951	59,709
Timing of revenue recognition			
Transferred over time	160,191	153,612	59,125
At a point in time	82	1,339	584
	160,273	154,951	59,709

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers.

	1 July 2018	**30 June 2019**	**30 June 2020**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables *(Note 15)*	5,219	32,572	22,369
Contract assets *(Note 16(a))*	17,845	22,385	13,359
Contract liabilities *(Note 16(b))*	630	18,475	—

The contract assets primarily relate to the Target Group's rights to consideration for work completed but not billed at the reporting date on revenue related to the provisions of design, development and prototyping of vehicle components. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Target Group provides the invoice to the customer.

As at 30 June 2019 and 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Target Group's existing contracts are HK$56.7 million and HK$21.5 million respectively. This amount represents revenue expected to be recognised in the future from partially-completed long-term contracts. The Target Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur in the next 12 months.

Other income, gains and losses, net

	Year ended 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Dividend income	232	778	249
Exchange (loss)/gain	(3)	5	(9)
Fair value loss on financial assets at FVTPL *(Note 20)*	(219)	(527)	—
Gain/(loss) on disposal of plant and equipment	18	(13)	132
Gain/(loss) on disposal of financial assets at FVTPL *(Note 20)*	273	(585)	(605)
Interest income	261	245	243
Miscellaneous income	108	423	246
	670	326	256

8. PROFIT/(LOSS) BEFORE INCOME TAX

This is arrived at after charging:

	Year ended 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Amortisation of intangible assets	405	457	451
Depreciation of plant and equipment	2,313	2,418	2,240
Depreciation of right-of-use-assets	—	—	4,259
Director's remuneration *(Note 9)*	2,612	2,306	2,211
Addition of/(reversal of) expected credit loss/ impairment loss for doubtful debts, net			
— Trade receivables	—	558	308
— Contract assets	—	43	(2)
— Loans to a director and shareholders	—	7	9
Operating lease expenses under HKAS 17 in respect of:			
— premises	3,993	4,425	—
— machineries	1,662	846	—
— motor vehicles	81	162	—
Written off of plant and equipment	18	—	326
Staff costs (including directors' remuneration)			
Salaries and bonuses	30,108	30,346	24,902
Contributions to defined contribution retirement plan	5,147	5,339	4,754
Other staff benefits	46	91	64
	35,301	35,776	29,720

9. DIRECTOR'S AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION

(a) Director's emoluments

For the year ended 30 June 2018

	Salaries and other benefits	Contributions to defined retirement plan	Total
	HK$'000	*HK$'000*	*HK$'000*
Director			
Mr. Mirko Konta	2,596	16	2,612

For the year ended 30 June 2019

	Salaries and other benefits	Contributions to defined retirement plan	Total
	HK$'000	*HK$'000*	*HK$'000*
Director			
Mr. Mirko Konta	2,290	16	2,306

For the year ended 30 June 2020

	Salaries and other benefits	Contributions to defined retirement plan	Total
	HK$'000	*HK$'000*	*HK$'000*
Director			
Mr. Mirko Konta	2,196	15	2,211

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no remuneration was paid by the Target Group to any director 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 individuals whose emoluments were the highest in the Target Group for the Relevant Periods included 1 director of the Target Company whose emoluments during the years ended 30 June 2018, 2019 and 2020 are reflected in the analysis presented above.

Emoluments payable to the remaining highest paid individuals during the Relevant Periods are as follows:

	Year ended 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other benefits	5,853	5,415	4,743
Contributions to defined contribution retirement plan	32	32	40
	5,885	5,447	4,783

Their emoluments were within the following bands:

	Number of employees Year ended 30 June		
	2018	**2019**	**2020**
Nil to HK$500,000	—	—	—
HK$500,001 to HK$1,000,000	—	1	2
HK$1,000,001 to HK$1,500,000	2	1	2
HK$1,500,001 to HK$2,000,000	2	2	—
	4	4	4

10. FINANCE COSTS

	Year ended 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Interest on loan from a subsidiary's shareholder	8	7	—
Interest on lease liabilities	—	—	270
	8	7	270

11. INCOME TAX EXPENSE/(CREDIT)

(a) Income tax expense/(credit) in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Current tax — Germany income tax			
— Tax for the year	16,295	6,946	4,154
Deferred taxes — current year (Note 11(c))	338	6,292	(4,767)
	16,633	13,238	(613)

Provision for Germany corporate income tax is calculated at 28.075% on the estimated assessable profits for the Relevant Periods.

(b) Income tax expense/(credit) for the year can be reconciled to the accounting profit as follows:

	Year ended 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Profit/(loss) before income tax	58,986	46,645	(3,160)
Tax at the domestic income tax rate of 28.075%	16,560	13,096	(887)
Tax effect of non-deductible expenses	13	19	237
Tax effect of unused tax loss not recognised	—	74	—
Others	60	49	37
Income tax expense/(credit)	16,633	13,238	(613)

(c) The Target Group had deferred tax (assets)/liabilities at the end of the Relevant Periods.

	Fair value adjustment arising from financial assets at FVTPL *HK$'000*	Expected credit loss/ impairment loss for doubtful debts *HK$'000*	Temporary difference on contract assets *HK$'000*	Tax losses *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 July 2017	99	(51)	678	—	(436)	290
Charged/(credited) to profit or loss	(136)	—	590	—	(116)	338
Exchange realignment	5	(1)	9	—	(12)	1
At 30 June 2018	(32)	(52)	1,277	—	(564)	629
Impaction of adoption of HKFRS 9	—	(109)	—	—	—	(109)
At 1 July 2018	(32)	(161)	1,277	—	(564)	520
Charged/(credited) to profit or loss	(95)	(41)	5,948	—	480	6,292
Exchange realignment	2	5	(75)	—	14	(54)
At 30 June 2019 and 1 July 2019	(125)	(197)	7,150	—	(70)	6,758
Charged/(credited) to profit or loss	122	(111)	(4,679)	(164)	65	(4,767)
Exchange realignment	3	2	(171)	(1)	4	(163)
At 30 June 2020	—	(306)	2,300	(165)	(1)	1,828

For the purpose of presentation in consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 30 June		
	2018 *HK$'000*	2019 *HK$'000*	2020 *HK$'000*
Deferred tax assets	(26)	(305)	(454)
Deferred tax liabilities	655	7,063	2,282
	629	6,758	1,828

(d) The Target Company had deferred tax liabilities at the end of the Relevant Periods.

	Fair value adjustment arising from financial assets at FVTPL	Expected credit loss/ impairment loss for doubtful debts	Temporary difference on contract assets	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2017	99	(51)	848	(433)	463
Charged/(credited) to profit or loss	(136)	—	412	(107)	169
Exchange realignment	5	(1)	17	(11)	10
At 30 June 2018	(32)	(52)	1,277	(551)	642
Impaction of adoption HKFRS 9	—	(109)	—	—	(109)
At 1 July 2018	(32)	(161)	1,277	(551)	533
Charged/(credited) to profit or loss	(95)	(41)	6,242	480	6,586
Exchange realignment	2	5	(78)	15	(56)
At 30 June 2019 and 1 July 2019	(125)	(197)	7,441	(56)	7,063
Charged/(credited) to profit or loss	122	(94)	(4,704)	66	(4,610)
Exchange realignment	3	2	(177)	1	(171)
At 30 June 2020	—	(289)	2,560	11	2,282

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax liabilities	642	7,063	2,282

12. DIVIDEND

	Year ended 30 June 2018
	HK$'000
Final dividend of EUR4.07 per share	1,869

At a shareholder meeting held on 3 March 2018, the shareholders approved a final dividend of EUR4.07 per ordinary share in respect of the year ended 30 June 2017. The dividend was fully settled on 18 April 2018.

Except for that, no dividend was declared nor paid during the Relevant Periods.

13. PLANT AND EQUIPMENT

The Target Group	Office equipment	Machinery	Motor vehicle	Leasehold improvements	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:					
At 1 July 2017	3,229	4,543	6,423	9,047	23,242
Additions	587	141	25	37	790
Written-off	(74)	—	—	(18)	(92)
Disposal	—	—	(231)	—	(231)
Exchange realignment	85	131	193	266	675
At 30 June 2018 and 1 July 2018	3,827	4,815	6,410	9,332	24,384
Additions	703	809	1,648	974	4,134
Written-off	(177)	—	—	—	(177)
Disposal	(18)	—	—	—	(18)
Exchange realignment	(144)	(156)	(210)	(298)	(808)
At 30 June 2019 and 1 July 2019	4,191	5,468	7,848	10,008	27,515
Additions	268	16	359	—	643
Written-off	(565)	(269)	(2,287)	—	(3,121)
Disposal	—	—	(831)	—	(831)
Exchange realignment	(63)	(109)	(173)	(200)	(545)
At 30 June 2020	3,831	5,106	4,916	9,808	23,661
Accumulated depreciation:					
At 1 July 2017	2,296	2,372	2,701	5,903	13,272
Charge for the year	577	372	875	489	2,313
Written-off	(74)	—	—	—	(74)
Disposal	—	—	(112)	—	(112)
Exchange realignment	58	62	65	164	349
At 30 June 2018 and 1 July 2018	2,857	2,806	3,529	6,556	15,748
Charge for the year	615	437	962	404	2,418
Written-off	(177)	—	—	—	(177)
Disposal	(4)	—	—	—	(4)
Exchange realignment	(91)	(91)	(117)	(208)	(507)

The Target Group	Office equipment	Machinery	Motor vehicle	Leasehold improvements	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2019 and 1 July 2019	3,200	3,152	4,374	6,752	17,478
Charge for the year	484	431	949	376	2,240
Written-off	(555)	(265)	(1,975)	—	(2,795)
Disposal	—	—	(727)	—	(727)
Exchange realignment	(64)	(60)	(97)	(133)	(354)
At 30 June 2020	3,065	3,258	2,524	6,995	15,842
Net book value:					
At 30 June 2020	766	1,848	2,392	2,813	7,819
At 30 June 2019	991	2,316	3,474	3,256	10,037
At 30 June 2018	970	2,009	2,881	2,776	8,636

During the Relevant Periods, no plant and equipment was held under finance leases by the Target Group.

The Target Company	**Office equipment**	**Machinery**	**Motor vehicle**	**Leasehold improvements**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:					
At 1 July 2017	3,123	4,543	6,423	9,047	23,136
Additions	506	141	25	37	709
Written-off	(57)	—	—	(18)	(75)
Disposal	—	—	(231)	—	(231)
Exchange realignment	84	131	193	266	674
At 30 June 2018 and 1 July 2018	3,656	4,815	6,410	9,332	24,213
Additions	504	798	1,648	974	3,924
Written-off	(151)	—	—	—	(151)
Disposal	(18)	—	—	—	(18)
Exchange realignment	(116)	(155)	(210)	(298)	(779)
At 30 June 2019 and 1 July 2019	3,875	5,458	7,848	10,008	27,189
Additions	201	16	359	—	576
Written-off	(557)	(269)	(2,287)	—	(3,113)
Disposal	—	—	(831)	—	(831)
Exchange realignment	(79)	(110)	(173)	(200)	(562)
At 30 June 2020	3,440	5,095	4,916	9,808	23,259
Accumulated depreciation:					
At 1 July 2017	2,268	2,372	2,701	5,903	13,244
Charge for the year	518	372	875	489	2,254
Written-off	(57)	—	—	—	(57)
Disposal	—	—	(112)	—	(112)
Exchange realignment	59	62	65	164	350
At 30 June 2018 and 1 July 2018	2,788	2,806	3,529	6,556	15,679
Charge for the year	502	437	962	404	2,305
Written-off	(151)	—	—	—	(151)
Disposal	(4)	—	—	—	(4)
Exchange realignment	(90)	(90)	(117)	(208)	(505)

The Target Company	**Office equipment**	**Machinery**	**Motor vehicle**	**Leasehold improvements**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2019 and 1 July 2019	3,045	3,153	4,374	6,752	17,324
Charge for the year	382	431	949	376	2,138
Written-off	(547)	(265)	(1,975)	—	(2,787)
Disposal	—	—	(727)	—	(727)
Exchange realignment	(61)	(63)	(97)	(133)	(354)
At 30 June 2020	2,819	3,256	2,524	6,995	15,594
Net book value:					
At 30 June 2020	621	1,839	2,392	2,813	7,665
At 30 June 2019	830	2,305	3,474	3,256	9,865
At 30 June 2018	868	2,009	2,881	2,776	8,534

During the Relevant Periods, no plant and equipment was held under finance leases by the Target Company.

14. INTANGIBLE ASSETS

The Target Group	Computer Software *HK$'000*
Cost:	
At 1 July 2017	3,011
Additions	729
Exchange realignment	74
At 30 June 2018 and 1 July 2018	3,814
Additions	238
Exchange realignment	(121)
At 30 June 2019 and 1 July 2019	3,931
Additions	524
Written-off	(725)
Exchange realignment	(80)
At 30 June 2020	3,650
Amortisation:	
At 1 July 2017	2,433
Charge for the year	405
Exchange realignment	63
At 30 June 2018 and 1 July 2018	2,901
Charge for the year	457
Exchange realignment	(94)
At 30 June 2019 and 1 July 2019	3,264
Charge for the year	451
Written-off	(725)
Exchange realignment	(66)
At 30 June 2020	(2,924)
Carrying amount:	
At 30 June 2020	726
At 30 June 2019	667
At 30 June 2018	913

The Target Company	Computer Software *HK$'000*
Cost:	
At 1 July 2017	2,645
Additions	729
Exchange realignment	63
At 30 June 2018 and 1 July 2018	3,437
Additions	92
Exchange realignment	(108)
At 30 June 2019 and 1 July 2019	3,421
Additions	524
Written-off	(725)
Exchange realignment	(69)
At 30 June 2020	3,151
Amortisation:	
At 1 July 2017	2,331
Charge for the year	277
Exchange realignment	63
At 30 June 2018 and 1 July 2018	2,671
Charge for the year	331
Exchange realignment	(86)
At 30 June 2019 and 1 July 2019	2,916
Charge for the year	385
Written-off	(725)
Exchange realignment	(60)
At 30 June 2020	2,516
Carrying amount:	
At 30 June 2020	635
At 30 June 2019	505
At 30 June 2018	766

15. TRADE RECEIVABLES

The Target Group

	As at 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	5,599	33,495	23,584
Less: Allowance for doubtful debts	(331)	(923)	(1,215)
	5,268	32,572	22,369

The Target Company

	As at 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	5,599	32,970	22,608
Less: Allowance for doubtful debts	(331)	(711)	(947)
	5,268	32,259	21,661

Included in trade and other receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of reporting period.

The Target Group

	As at 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	3,489	15,400	1,761
31–60 days	421	16,046	1,385
61–90 days	396	—	—
Over 90 days	962	1,126	19,223
	5,268	32,572	22,369

The Target Company

	As at 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	3,489	15,295	1,697
31–60 days	421	16,046	1,385
61–90 days	396	—	—
Over 90 days	962	918	18,579
	5,268	32,259	21,661

Trade receivables are due within 30 days from the date of billing.

The maximum exposure to credit risk at the reporting dates is the carrying amounts of the trade receivables. The Target Group does not hold any collateral as security.

The Target Group

The following table provides information about the Target Group's exposure to credit risk and ECLs for trade receivables as at 30 June 2019 and 2020:

As at 30 June 2019			**Past due**				
	Credit-impaired receivables	**Current**	**1–30 days**	**31–90 days**	**91–365 days**	**1–2 years**	**Total**
Expected credit loss rate	100%	0.83%	0.83%	0.83%	0.83%	24.50%	2.76%
Gross carrying amount *(HK$'000)*	530	15,529	13,362	2,818	748	508	33,495
Expected credit losses *(HK$'000)*	530	129	111	23	6	124	923

As at 30 June 2020			**Past due**				
	Credit-impaired receivables	**Current**	**1–30 days**	**31–90 days**	**91–365 days**	**1–2 years**	**Total**
Expected credit loss rate	100%	1.34%	1.34%	1.34%	1.34%	26.95%	5.15%
Gross carrying amount *(HK$'000)*	519	1,114	1,791	1,320	17,329	1,511	23,584
Expected credit losses *(HK$'000)*	519	15	24	18	232	407	1,215

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect difference between economic conditions during the period over which the historical data has been collected, current conditions and the Target Group's view of economic conditions over the expected lives of the receivables.

Prior to 1 July 2018, an impairment loss was recognised only when there was objective evidence of impairment (see Note 4(i)(ii)). At 30 June 2018, the Target Group has recognised impairment amounted to HK$331,000 on trade receivables. The ageing analysis of trade debtors that were not considered to be impaired was as follows:

	As at 30 June 2018 *HK$'000*
Not past due	3,471
Within 30 days	439
31–90 days	396
Over 90 days	962
	5,268

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Target Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movements in the loss allowance accounts in respect of trade receivables during each of the Relevant Periods are as follows:

	Year ended 30 June		
	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*
At beginning of the year	321	331	923
Impact of initial application of HKFRS 9	—	49	—
Adjusted balance at beginning of the year	321	380	923
Addition	—	558	308
Exchange alignment	10	(15)	(16)
At end of the year	331	923	1,215

The following significant changes in the gross carrying amounts of trade receivables contributed to the changes in the loss allowances as of the reporting dates:

— Origination of new trade receivables net of those settled resulted in an increase in loss allowance of HK$558,000 and HK$308,000 during the years ended 30 June 2019 and 2020 respectively.

The Target Company

The following table provides information about the Target Company's exposure to credit risk and ECLs for trade receivables and contract assets as at 30 June 2019 and 2020:

As at 30 June 2019			Past due				
	Credit-impaired receivables	**Current**	**1–30 days**	**31–90 days**	**91–365 days**	**1–2 years**	**Total**
Expected credit loss rate	100%	0.83%	0.83%	0.83%	0.83%	24.50%	2.16%
Gross carrying amount *(HK$'000)*	320	15,423	13,362	2,818	539	508	32,970
Expected credit losses *(HK$'000)*	320	128	111	23	5	124	711

As at 30 June 2020			Past due				
	Credit-impaired receivables	**Current**	**1–30 days**	**31–90 days**	**91–365 days**	**1–2 years**	**Total**
Expected credit loss rate	100%	1.34%	1.34%	1.34%	1.34%	26.95%	4.19%
Gross carrying amount *(HK$'000)*	314	1,049	1,791	1,141	17,007	1,306	22,608
Expected credit losses *(HK$'000)*	314	14	24	15	228	352	947

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect difference between economic conditions during the period over which the historical data has been collected, current conditions and the Target Company's view of economic conditions over the expected lives of the receivables.

Prior to 1 July 2018, an impairment loss was recognised only when there was objective evidence of impairment (see Note 4(i)(ii)). At 30 June 2018, the Target Company has recognised impairment amounted to HK$331,000 on trade receivables. The ageing analysis of trade debtors that were not considered to be impaired was as follows:

	As at 30 June 2018
	HK$'000
Neither past due nor impaired	3,471
Within 30 days	439
31–90 days	396
Over 90 days	962
	5,268

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Target Company. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movements in the loss allowance accounts in respect of trade receivables during each of the Relevant Periods are as follows:

	Year ended 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
At beginning of the year	321	331	711
Impact of initial application of HKFRS 9	—	49	—
Adjusted balance at beginning of the year	321	380	711
Addition	—	345	248
Exchange alignment	10	(14)	(12)
At end of the year	331	711	947

The following significant changes in the gross carrying amounts of trade receivables contributed to the changes in the loss allowances as of the reporting dates:

— Origination of new trade receivables net of those settled resulted in an increase in loss allowance of HK$345,000 and HK$248,000 respectively during the years ended 30 June 2019 and 2020.

16. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

The Target Group and the Target Company	**1 July 2018** *HK$'000*	**30 June 2019** *HK$'000*	**30 June 2020** *HK$'000*
Contract assets arising from:			
Design, development and prototyping of vehicle components	17,994	22,572	13,540
Impairment	(149)	(187)	(181)
	17,845	22,385	13,359

The contract assets primarily relate to the Target Group's rights to consideration for completion of services but not yet billed under the relevant contracts at the reporting date. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Target Group issues invoice to the customer.

Typical payment terms which impact on the amount of contract assets are as follows:

Design, development and prototyping of vehicle components

The Target Group's contracts include payment schedules which require stage payments over the project period once milestones are reached. These payment schedules prevent the build-up of significant contract assets.

The expected timing of recovery or settlement for contract assets as at 30 June 2019 and 2020 is as follows:

	30 June 2019 *HK$'000*	**30 June 2020** *HK$'000*
Within one year	22,385	13,359

The maximum exposure to credit risk at the reporting dates is the carrying amounts of contract assets. The Target Group does not hold any collateral as security.

The movements in the loss allowance for impairment of contract assets are as follows:

	Year ended 30 June 2019	**Year ended 30 June 2020**
	HK$'000	*HK$'000*
At beginning of year	—	187
Effect of adoption of HKFRS 9	149	—
Adjusted balance at beginning of the year	149	187
Addition/(reversal)	43	(2)
Exchange alignment	(5)	(4)
At end of the year	187	181

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables appropriately grouped by similar loss pattern. The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

Set out below is the information about the credit risk exposure on the Target Group's contract assets using a provision matrix:

At 30 June 2019	
Expected credit loss rate	0.83%
	HK$'000
Gross carrying amount	22,572
Expected credit losses	187
At 30 June 2020	
Expected credit loss rate	1.34%
	HK$'000
Gross carrying amount	13,540
Expected credit losses	181

(b) Contract liabilities

The Target Group and the Target Company	**1 July 2018** *HK$'000*	**30 June 2019** *HK$'000*	**30 June 2020** *HK$'000*
Contract liabilities arising from:			
Design, development and prototyping of vehicle components	630	18,475	—

Typical payment terms which impact on the amount of contract liabilities are as follows:

Design, development and prototyping of vehicle components

Where receipt in advance arise between the milestone payments and the Target Group's assessment of the stage of completion, contract liabilities can arise.

Movements in contract liabilities

	Year ended 30 June 2019 *HK$'000*	**Year ended 30 June 2020** *HK$'000*
Balance as at the beginning of year	630	18,475
Decrease in contract liabilities as a result of billing in advance of design, development and prototyping of vehicle components activities for previous year	(630)	(18,475)
Increase in contract liabilities as a result of billing in advance of design, development and prototyping of vehicle components activities	18,475	—
Balance as at the ending of year	18,475	—

Note:

The Target Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 July 2018. Upon the adoption of HKFRS 15, amounts previously included as "amounts due from customers for contract work" and "amounts due to customers for contract work" (Note 17) have been reclassified to "contract assets" and "contract liabilities" respectively.

17. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

The Target Group and the Target Company	As at 30 June 2018 *HK$'000*
Contracts in progress at the end of Relevant Periods:	
Contract costs incurred	67,128
Recognised profit less recognised losses	30,381
	97,509
Progress billings	(80,145)
	17,364
Represented by:	
Due from customers included in current assets	17,994
Due to customers included in current liabilities	(630)
	17,364

Note:

The Target Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 July 2018. Upon the adoption of HKFRS 15, amounts previously included as "amounts due from customers for contract work" and "amounts due to customers for contract work" have been reclassified to "contract assets" and "contract liabilities" respectively.

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Target Group		**As at 30 June**	
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Deposits	4	32	31
Prepayments	4,563	3,014	2,998
VAT receivables	1,380	57	25
Other receivables	85	168	317
	6,032	3,271	3,371

The Target Company		**As at 30 June**	
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Deposits	4	32	31
Prepayments	4,224	2,811	2,689
VAT receivables	1,380	53	—
Other receivables	29	111	314
	5,637	3,007	3,034

The maximum exposure to credit risk at the reporting date is the carrying amounts of each class of receivables mentioned above. The Target Group does not hold any collateral as security.

Further details on credit policy and credit risk arising from deposits and other receivables are set out in note 27(a).

19. LOANS TO A DIRECTOR AND SHAREHOLDERS

The Target Group and the Target Company		**As at 30 June**	
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Loans to a director and shareholders	20,633	19,987	19,592
Less: Impairment allowance	—	(190)	(196)
	20,633	19,797	19,396

Loans to a director and shareholders as at 30 June 2018, 2019 and 2020 included:

— A loan to Mr. Mirko Konta, a director and shareholder of the Target Company and Mr. Werner Händl, a shareholder of the Target Company with principal amount of EUR2.0 million (equivalent to HK$17.7 million), which is secured by pledge of a property, repayable on demand, and interest bearing at 1.25% per annum. The maximum amount outstanding during the years ended 30 June 2018, 2019 and 2020 are HK$18,341,000, HK$18,172,000 and HK$17,597,000. The maximum exposure to credit risk at the reporting dates is the carrying amounts of the asset.

— A loan to Mr. Nigel Westwood, a shareholder of the Target Company with principal amount of EUR250,000 (equivalent to HK$2.2 million), which is an unsecured, repayable on demand, and interest bearing at 1.25% per annum. The maximum amount outstanding during the years ended 30 June 2018, 2019 and 2020 are HK$2,292,000, HK$2,271,000 and HK$2,200,000. The maximum exposure to credit risk at the reporting dates is the carrying amounts of the asset. The Target Group does not hold any collateral as security.

The director and shareholders of the Target Company expected that the amount will be settled by end of January 2021, prior to completion of the Acquisition. The director and shareholders of the Target Company considered the repayment can be ensured by deduction from the respective shareholders' interests in the Target Group.

Impairment under HKFRS 9 for the years ended 30 June 2019 and 2020

Analysis of the gross carrying amount and the corresponding ECLs allowance is as follows:

	12-month ECLs Stage 1
	HK$'000
Gross carrying amount	
Gross carrying amount at 1 July 2018	20,633
Accrued interest	251
Interest settlement	(251)
Exchange alignment	(646)
Gross carrying amount as at 30 June 2019 and 1 July 2019	19,987
Accrued interest	243
Interest settlement	(243)
Exchange alignment	(395)
Gross carrying amount as at 30 June 2020	19,592
Impairment allowance	
ECLs allowance as at 1 July 2018	—
Effect of adoption of HKFRS 9	190
ECLs allowance as at 1 July 2018 (restated)	190
Loss allowance recognised during the year	7
Exchange alignment	(7)
ECLs allowance as at 30 June 2019 and 1 July 2019	190
Loss allowance recognised during the year	9
Exchange alignment	(3)
ECLs allowance as at 30 June 2020	196

Impairment under HKAS 39 prior to 1 July 2018

The loans to a director and shareholders as at 30 June 2018, based on the payment due date, were neither past due nor impaired and related to borrowers for whom there was no recent history of default.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Target Group and the Target Company

	As at 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Listed debt securities	20,565	19,530	—
Listed equity securities	6,740	4,239	—
Derivative financial instruments	365	180	—
	27,670	23,949	—

Fair values of the listed equity securities, listed debt securities and derivative financial instruments are determined based on the quoted market prices in an active market. During the years ended 30 June 2018, 2019 and 2020, fair value loss of HK$219,000, HK$527,000 and HK$nil (Note 7) respectively, and net gain/(loss) on disposal of HK$273,000, (HK$585,000) and (HK$605,000) (Note 7) respectively, are recognised in profit or loss.

As at 30 June 2018 and 2019, the maximum exposure to credit risk of the financial assets at FVTPL of the Target Group and the Target Company was equal to their carrying amounts. As at 30 June 2020, the Target Group and the Target Company do not have any financial assets at FVTPL.

The movements of financial assets at FVTPL during each of the Relevant Periods are as follows:

	Year ended 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
At beginning of the year	5,533	27,670	23,949
Addition	30,574	35,304	9,647
Disposal	(7,943)	(37,254)	(32,803)
Exchange alignment	(275)	(1,244)	(793)
Fair value change recognised in profit or loss	(219)	(527)	—
At end of the year	27,670	23,949	—

21. TRADE AND OTHER PAYABLES

The Target Group

		As at 30 June		
		2018	**2019**	**2020**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	*(a)*	5,742	6,214	622
Other payables and accruals	*(b)*	8,284	7,898	5,789
		14,026	14,112	6,411

The Target Company

		As at 30 June		
		2018	**2019**	**2020**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	*(a)*	5,705	6,085	499
Other payables and accruals	*(b)*	6,698	6,344	5,123
		12,403	12,429	5,622

(a) Average credit period granted to the Target Group is 15–30 days. Aging analysis of trade payables based on the invoice date (or date of cost recognition, if earlier) as of the end of the Relevant Periods is as follows:

The Target Group

	As at 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
0–30 days	5,623	6,113	247
31–90 days	29	31	362
Over 90 days	90	70	13
	5,742	6,214	622

The Target Company

	As at 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
0–30 days	5,588	5,984	232
31–90 days	27	31	260
Over 90 days	90	70	7
	5,705	6,085	499

(b) It included a loan of HK$360,000 and HK$356,000 from Mr. Lorenz Loew, a subsidiary's shareholder who has beneficial interest in a subsidiary of the Target Company as at 30 June 2018 and 2019 respectively. The loan was unsecured, repayable on demand, and interest bearing at 2% per annum for the years ended 30 June 2018, 2019 and 2020. The loan was fully settled during the year ended 30 June 2020.

22. SHARE CAPITAL AND RESERVES

(a) Share capital

The Target Company	**As at 30 June**		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Authorised capital			
50,000 ordinary shares of EUR1 each	430	430	430
Issued and fully paid			
At the beginning and the end of the year	430	430	430

	As at 30 June		
	2018	**2019**	**2020**
	Number	*Number*	*Number*
Authorised capital			
50,000 ordinary shares of EUR1 each	50,000	50,000	50,000
Issued and fully paid			
At the beginning and the end of the year	50,000	50,000	50,000

(b) Reserves

The reconciliation between the opening and closing balances of each component of the Target Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Target Company's individual components of equity between the beginning and the end of the year are set out below:

The Target Company	**Statutory reserve** *HK$'000*	**Retained earnings** *HK$'000*	**Foreign exchange reserves** *HK$'000*	**Total** *HK$'000*
At 1 July 2017	43	82,215	3,273	85,531
Profit for the year	—	39,443	—	39,443
Other comprehensive income for the year:				
Exchange differences on translation to presentation currency	—	—	1,747	1,747
Total comprehensive income for the year	—	39,443	1,747	41,190
Dividend paid	—	(1,869)	—	(1,869)
At 30 June 2018	43	119,789	5,020	124,852
Initial application of HKFRS 9	—	(272)	—	(272)
Restated balances at 1 July 2018	43	119,517	5,020	124,580
Profit for the year	—	33,768	—	33,768
Other comprehensive income for the year:				
Exchange differences on translation to presentation currency	—	—	(4,117)	(4,117)
Total comprehensive income for the year	—	33,768	(4,117)	29,651
At 30 June 2019 and 1 July 2019	43	153,285	903	154,231
Loss for the year	—	(1,712)	—	(1,712)
Other comprehensive income for the year:				
Exchange differences on translation to presentation currency	—	—	(3,372)	(3,372)
Total comprehensive income for the year	—	(1,712)	(3,372)	(5,084)
At 30 June 2020	43	151,573	(2,469)	149,147

(c) The following describes the nature and purpose of each reserve within owner's equity.

Statutory reserve

In according to statutory requirement in Germany, the Target Company and its subsidiaries registered in Germany are required to place an amount equal to 5% of after-tax annual profits in a statutory reserve amount until the reserves reaches 10% of the equity capital.

Foreign exchange reserve

Gains/losses arising on retranslating the net assets into presentation currency.

23. RELATED PARTY DISCLOSURES

During the Relevant Periods, the Target Group paid operating lease expenses for office premises owned by H2K Gbr, which is a partnership formed collectively by the director and a shareholder of the Target Company amounted HK$3,233,000, HK$3,626,000 and HK$3,511,000 for the years ended 30 June 2018, 2019 and 2020 respectively.

Saved for the above and disclosed elsewhere in the Historical Financial Information, the Target Group has not entered into other material related party transactions during the Relevant Periods.

24. LEASES

HKFRS 16 was adopted 1 July 2019 without restatement of comparative figures. Explanations of the transitional requirements that were applied as at 1 July 2019 are set out in Note 3(a). The accounting policies applied subsequent to the date of initial application, 1 July 2019 are set out in Note 4(e).

Nature of leasing activities (in the capacity as lessee)

The Target Group leases a number of properties in the jurisdictions from which it operates. All property leases the periodic rent is fixed over the lease term.

The Target Group also leases certain items of plant and equipment and motor vehicles. Leases of plant and equipment and motor vehicles comprise only fixed payments over the lease terms.

Right-of-use Assets

The Target Group

Right-of-use Assets	**Premise**	**Plant and equipment**	**Motor vehicle**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2019	16,950	436	454	17,840
Depreciation	(3,673)	(425)	(161)	(4,259)
Exchange realignment	(359)	(11)	(10)	(380)
At 30 June 2020	12,918	—	283	13,201

The analysis of the net book value of right-of-use assets of the Target Group by class of underlying asset is as follows:

	1 July 2019	**30 June 2020**
	HK$'000	*HK$'000*
Other properties leased for own use, carried at depreciated cost	16,950	12,918
Plant and equipment, carried at depreciated cost	436	—
Motor vehicles, carried at depreciated cost	454	283
	17,840	13,201

The Target Company

Right-of-Use assets	**Premise**	**Plant and equipment**	**Motor vehicle**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2019	16,115	436	454	17,005
Depreciation	(3,592)	(425)	(161)	(4,178)
Exchange realignment	(343)	(11)	(10)	(364)
At 30 June 2020	12,180	—	283	12,463

The analysis of the net book value of right-of-use assets of the Target Company by class of underlying asset is as follows:

	1 July 2019	**30 June 2020**
	HK$'000	*HK$'000*
Other properties leased for own use, carried at depreciated cost	16,115	12,180
Plant and equipment, carried at depreciated cost	436	—
Motor vehicles, carried at depreciated cost	454	283
	17,005	12,463

Lease Liabilities

The Target Group

	Premises	**Plant and equipment**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2019	16,950	436	454	17,840
Interest incurred	261	3	6	270
Repayment	(3,814)	(425)	(167)	(4,406)
Interest payment	(261)	(3)	(6)	(270)
Exchange alignment	(358)	(11)	(12)	(381)
At 30 June 2020	12,778	—	275	13,053

Future lease payments are due as follows:

	Minimum lease payments 30 June 2020	**Interest 30 June 2020**	**Present value 30 June 2020**
	HK$'000	*HK$'000*	*HK$'000*
Not later than one year	4,205	218	3,987
Later than one year and not later than two years	4,149	140	4,009
Later than two years and not later than five years	3,280	171	3,109
Later than five years	2,012	64	1,948
	13,646	593	13,053

	Minimum lease payments 1 July 2019(note)	Interest 1 July 2019(note)	Present value 1 July 2019(note)
	HK$'000	*HK$'000*	*HK$'000*
Not later than one year	4,802	279	4,523
Later than one year and not later than two years	4,292	225	4,067
Later than two years and not later than five years	6,951	276	6,675
Later than five years	2,686	111	2,575
	18,731	891	17,840

Note: The Target Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 July 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See Note 3(a) for further details about transition.

The present value of future lease payments are analysed as:

	As at 1 July 2019	As at 30 June 2020
	HK$'000	*HK$'000*
Current liabilities	4,523	3,987
Non-current liabilities	13,317	9,066
	17,840	13,053

The Target Group as lessee

The Target Group leases certain properties, machineries and motor vehicles under operating leases with fixed rentals. Leases for properties are negotiated for terms ranging from one to seven years, leases for machineries are negotiated for terms ranging from one to two years and leases for motor vehicles are negotiated for terms from two to three years.

At the end of each of the Relevant Periods, the Target Group had commitments for future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 June 2018	2019
	HK$'000	*HK$'000*
Operating leases for premises:		
Within one year	4,252	4,184
In the second to fifth years	14,908	10,960
Over five years	3,423	2,684
	22,583	17,828
Operating leases for machineries:		
Within one year	318	440
In the second to fifth years	—	—
	318	440
Operating leases for motor vehicles:		
Within one year	39	178
In the second to fifth years	74	285
	113	463
	23,014	18,731

The Target Company

	Premises	Plant and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2019	16,115	436	454	17,005
Interest incurred	247	3	6	256
Repayment	(3,731)	(425)	(167)	(4,323)
Interest payment	(247)	(3)	(6)	(256)
Exchange alignment	(341)	(11)	(12)	(364)
At 30 June 2020	12,043	—	275	12,318

Future lease payments are due as follows:

	Minimum lease payments 30 June 2020	Interest 30 June 2020	Present value 30 June 2020
	HK$'000	*HK$'000*	*HK$'000*
Not later than one year	4,108	204	3,904
Later than one year and not later than two years	4,052	128	3,924
Later than two years and not later than five years	2,991	146	2,845
Later than five years	1,698	53	1,645
	12,849	531	12,318

	Minimum lease payments 1 July 2019 (note)	Interest 1 July 2019 (note)	Present value 1 July 2019 (note)
	HK$'000	*HK$'000*	*HK$'000*
Not later than one year	4,704	265	4,439
Later than one year and not later than two years	4,194	211	3,983
Later than two years and not later than five years	6,655	244	6,411
Later than five years	2,266	94	2,172
	17,819	814	17,005

Note: The Target Company has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 July 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See Note 3(a) for further details about transition.

The present value of future lease payments are analysed as:

	As at 1 July 2019	As at 30 June 2020
	HK$'000	*HK$'000*
Current liabilities	4,439	3,904
Non-current liabilities	12,566	8,414
	17,005	12,318

The Target Company as lessee

The Target Company leases certain properties, machineries and motor vehicles under operating leases with fixed rentals. Leases for properties are negotiated for terms ranging from one to seven years, leases for machineries are negotiated for terms ranging from one to two years and leases for motor vehicles are negotiated for terms from two to three years.

At the end of each of the Relevant Periods, the Target Company had commitments for future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 June	
	2018	**2019**
	HK$'000	*HK$'000*
Operating leases for premises:		
Within one year	4,150	4,085
In the second to fifth years	14,500	10,565
Over five years	2,889	2,265
	21,539	16,915
Operating leases for machineries:		
Within one year	318	440
In the second to fifth years	—	—
	318	440
Operating leases for motor vehicles:		
Within one year	39	178
In the second to fifth years	74	285
	113	463
	21,970	17,818

25. CONTINGENT LIABILITIES

At 30 June 2018, 2019 and 2020, the Target Group did not have any contingent liabilities.

26. CAPITAL RISK MANAGEMENT

The Target Group's objective of managing capital is to safeguard the Target Group's ability to continue as a going concern in order to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Target Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher returns to equity owners that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Target Group monitors capital using a gearing ratio, which is calculated by dividing the net debts by total equity.

The gearing ratios at the end of reporting periods were as follows:

	As at 30 June		
	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*
Other loans included in trade and other payables	360	356	—
Less: cash and bank balances	(68,103)	(92,633)	(95,776)
Net debt	N/A	N/A	N/A
Equity attributable to owners of the Target Company	127,032	156,119	150,545
Debt to equity ratio	<1%	<1%	<1%
Net debt to equity ratio	N/A	N/A	N/A

27. FINANCIAL RISK MANAGEMENT

The Target Group's financial instruments disclosed in Note 28(a). The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

Management has a credit policy in place and the exposure to this credit risk is monitored on an ongoing basis.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with good reputation.

The Target Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Target Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Target Group's different customer bases.

Impairment on trade receivables and contract assets under the ECLs model is set out in Notes 15 and 16 respectively.

The Target Group has adopted general approach to measure ECLs on deposits and other receivables and loans to a director and shareholders. Under the general approach, the Target Group applies the "3-stage" impairment model for ECLs measurement based on change in credit risk since initial recognition as follows:

— Stage 1: If the credit risk of the financial instrument has not increased significantly since initial recognition, the financial instrument is included in Stage 1.

— Stage 2: If the credit risk of the financial instrument has increased significantly since its initial recognition but is not deemed to be credit-impaired, the financial instrument is included in Stage 2.

— Stage 3: If the financial instrument is credit-impaired, the financial instrument is included in Stage 3.

The ECLs for financial instruments in Stage 1 are measured at an amount equivalent to 12-month ECLs whereas the ECLs for financial instruments in Stage 2 or Stage 3 are measured at an amount equivalent to lifetime ECLs.

When determining whether the risk of default has increased significantly since initial recognition, the Target Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Target Group's historical experience and informed credit risk assessment and including forward-looking information.

At the end of each reporting period, the Target Group assesses whether a financial asset is credit-impaired. The Target Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Target Group in full, without recourse by the Target Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure of default. The assessment of the probability of default and loss given default is based on historical data and adjusted for forward-looking information through the use of industry trend and experienced credit judgment to reflect the qualitative factors, and through the use of multiple probability-weighted scenarios.

Impairment on loans to a director and shareholders under the ECLs model is set out in Note 19.

The Target Group has not recognised any impairment on deposits and other receivables as at 1 July 2018, 30 June 2019 and 2020 as there is no significant increase in credit risk since initial recognition and the amount of impairment measured under the 12-month ECLs model is immaterial.

The Target Group has certain concentration of credit risk on trade receivables as 6.8%, 77.9% and 89.1% of the total trade receivables respectively was due from the Target Group's major five customers as at 30 June 2018, 2019 and 2020.

(b) Liquidity risk

The Target Group's policy is to regularly monitor its 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 remaining contractual maturities at the end of each reporting period of the Target Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of each reporting period) and the earliest date the Target Group can be required to pay:

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2018						
Trade and other payables	14,026	14,026	14,026	—	—	—

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2019						
Trade and other payables	14,112	14,112	14,112	—	—	—

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2020						
Lease liabilities	13,053	13,646	4,205	4,149	3,280	2,012
Trade and other payables	6,411	6,411	6,411	—	—	—
	19,464	20,057	10,616	4,149	3,280	2,012

(c) Foreign currency risk

The net assets of the Target Group are exposed to foreign currency translation risk. The Target Group currently does not have a foreign currency policy to hedge its currency exposure arising from the net assets of the Target Group. Otherwise, the Target Group had no material exposure to foreign exchange risk as majority of the Target Group's assets were denominated in the functional currency — Euro.

(d) Price risk

Price risk is the risk that the fair values of investment securities decrease as a result of changes in the levels of equity indices or the value of individual securities. The Target Group is exposed to price risk arising from individual listed debt securities, listed equity securities and derivative financial instruments classified as financial assets at FVTPL (Note 20) as at 30 June 2018 and 2019. The Target Group does not have any financial assets at FVTPL as at 30 June 2020. All of those investments securities are listed on public market worldwide and are valued at quoted market prices at the end of the Relevant Periods.

The following table demonstrates the sensitivity to every 10% changes in the fair values of the investment securities, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the Relevant Periods.

	Carrying amount of investments	**Change in profit before tax**
	HK$'000	*HK$'000*
30 June 2018		
Listed debt securities	20,565	2,057
Listed equity securities	6,740	674
Derivative financial instruments	365	36
	27,670	2,767
30 June 2019		
Listed debt securities	19,530	1,953
Listed equity securities	4,239	424
Derivative financial instruments	180	18
	23,949	2,395

28. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

(a) Financial instrument measured at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The following table presents the fair value of the Target Group's financial instrument measured at the end of each of the Relevant Periods on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following tables present the financial instruments that are measured at fair value:

The Target Group and Company	**As at 30 June 2018**		
	Level 1	**Level 2**	**Level 3**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets at FVTPL:			
Listed debt securities	20,565	—	—
Listed equity securities	6,740	—	—
Derivative financial instruments	365	—	—
	27,670	—	—

	As at 30 June 2019		
	Level 1	**Level 2**	**Level 3**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets at FVTPL:			
Listed debt securities	19,530	—	—
Listed equity securities	4,239	—	—
Derivative financial instruments	180	—	—
	23,949	—	—

During the years ended 30 June 2018, 2019 and 2020, there were no transfers between instruments in Level 2 and Level 3, or transfers into or out of Level 1.

(b) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade receivables, loans to a director and shareholders, deposits and other receivables, cash and bank balances, trade and other payables and lease liabilities.

Due to their short term nature, their carrying values approximate their fair value.

(c) Summary of financial assets and liabilities by categories

	As at 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Financial assets measured at amortised cost/loans and receivables:			
Trade receivables	5,268	32,572	22,369
Deposits and other receivables	89	200	348
Loans to a director and shareholder	20,633	19,797	19,396
Cash and bank balances	68,103	92,633	95,776
Financial assets at FVTPL			
Listed debt securities	20,565	19,530	—
Listed equity securities	6,740	4,239	—
Derivative financial instruments	365	180	—
	121,763	169,151	137,889
Financial liabilities			
Financial liabilities measured at amortised cost:			
Trade and other payables	14,026	14,112	6,411
Lease liabilities	—	—	13,053
	14,026	14,112	19,464

29. INVESTMENTS IN SUBSIDIARIES

As at the date of this report, the particulars of the subsidiaries in which the Target Company has direct or indirect interests are set out as follows:

Name of company	Form of business structure	Place of incorporation/ operation	Issued/ registered capital	Effective interest held by the Target Company	Principal activities
Ideenion Design AG	Joint stock company	Germany	EUR50,000	75.0% *(Note (i))*	Styling, design, ideation, 3D surface design, visualisation of virtual, software development
Ideenion Electronic AG	Joint stock company	Germany	EUR50,000	100.0% *(Note (ii))*	Design, development and prototyping in the field of electronic systems and components.

The amount due from a subsidiary is unsecured, repayable on demand, and interest bearing at 2.0% per annum. The balance was fully settled on 8 July 2019.

The amounts due to subsidiaries are unsecured, repayable on demand, and not interest bearing.

Notes:

(i) Ideenion Design AG was incorporated on 20 May 2016. On incorporation, the Target Company held 51% of issued share capital of Ideenion Design AG. On 1 August 2016, the Target Company acquired 14.5% of issued share capital of Ideenion Design AG from the non-controlling interest at a consideration of approximately HK$62,000. On 15 October 2019, the Target Company further acquired 9.5% of issued share capital of Ideenion Design AG from the non-controlling interest at a consideration of approximately HK$342,000.

(ii) Ideenion Electronic AG was incorporated on 14 December 2018. On incorporation, the Target Company held 65% of issued share capital of Ideenion Electronic AG. On 18 October 2019, the Target Company acquired the remaining 35% of issued share capital of Ideenion Electronic AG from the non-controlling interest at a consideration of approximately HK$154,000.

30. NON-CONTROLLING INTERESTS

(a) Ideenion Design AG has material non-controlling interests ("NCI"). The NCI of the other subsidiary not 100% owned by the Target Group is considered to be immaterial.

Summarised financial information in relation to the NCI of Ideenion Design AG, before intra-group eliminations, is presented below:

	As at 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	9,850	8,100	3,754
Profit/(loss) for the year	2,910	350	(1,333)
Total comprehensive income	50	100	75
Profit/(loss) and total comprehensive income allocated to NCI	986	87	(359)
Cash flows generated from/(used in) operating activities	2,940	1,796	(4,314)
Cash flows used in investing activities	(81)	(264)	(32)
Cash flows used in financing activities	—	—	(96)
Net cash inflows/(outflows)	2,859	1,532	(4,442)
Current assets	7,517	7,404	2,108
Non-current assets	261	425	1,363
Current liabilities	(4,650)	(4,451)	(848)
Non-current liabilities	—	—	(653)
Net assets	3,128	3,378	1,970
Accumulated NCI	1,079	1,166	493

(b) On 15 October 2019, the Target Group acquired an additional 9.5% ownership interest in its subsidiary Ideenion Design AG. Following the acquisition, the Target Group had 75% ownership interests. The transaction has been accounted for as an equity transaction with the non-controlling interests as follows:

	Year ended 30 June 2020 *HK$'000*
Consideration paid for 9.5% ownership interest	(342)
Net assets attributable to 9.5% ownership interest	272
Decrease in equity attributable to owners of the Target Company (included in retained earnings)	(70)

(c) On 18 October 2019, the Target Group acquired an additional 35% ownership interest in its subsidiary Ideenion Electronic AG. Following the acquisition, the Target Group had 100% ownership interests. The transaction has been accounted for as an equity transaction with the non-controlling interests as follows:

	Year ended 30 June 2020 *HK$'000*
Consideration paid for 35% ownership interest	(154)
Net liabilities attributable to 35% ownership interest	(201)
Decrease in equity attributable to owners of the Target Company (included in retained earnings)	(355)

31. NOTE SUPPORTING THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities:

	Lease liabilities *(Note 24)* *HK$'000*	**Loan from a subsidiary's shareholder** *(Note 21(b))* *HK$'000*
As at 1 July 2017	—	343
Changes from financing cash flow:		
Interest paid	—	(8)
Other change:		
Interest incurred	—	8
Exchange difference	—	17
As at 30 June 2018 and 1 July 2018	—	360
Changes from financing cash flow:		
Interest paid	—	(7)
Other change:		
Interest incurred	—	7
Exchange difference	—	(4)
As at 30 June 2019 and 1 July 2019	—	356
Impact of initial application of HKFRS 16	17,840	—
Restated balance at 1 July 2019	17,840	356
Changes from financing cash flow:		
Repayment	(4,406)	(353)
Interest paid	(270)	—
Other changes:		
Interest expense	270	—
Exchange difference	(381)	(3)
As at 30 June 2020	13,053	—

(b) Non-cash transactions

At 1 July 2019, the Target Group recognised right-of-use assets and lease liabilities amounted to HK$17,840,000. For the details, please refer to Note 3(a).

III. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 30 June 2020.

(2) MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

Set out below is the management discussion and analysis of the Target Group for each of the three years ended 30 June 2020, which is based on the financial information of the Target Group as set out in this appendix.

Financial and Business Overview

The Target Company is principally engaged in the design, development and prototyping of internal combustion engine vehicles and NEVs, including vehicle components and accessories for vehicles. As at the Latest Practicable Date, the Target Company directly holds 75% of the total issued share capital of Ideenion Design and the entire issued share capital of Ideenion Electronic. Ideenion Design is principally engaged in the styling and design of vehicles and the development of software for vehicles. Ideenion Electronic is principally engaged in the research and development of electronics and software for vehicles and the design, development and manufacturing of prototype electronic systems and components for vehicles.

The Target Group's business is mostly project driven and depending on the availability of projects in the market. Top customers vary each year due to market movements.

Revenue

The Target Group recorded revenue of approximately HK$160.3 million, HK$155.0 million and HK$59.7 million, respectively, for each of the financial years ended 30 June 2018, 2019 and 2020. The Target Group's revenue in the said periods was mainly generated from design, development and prototyping of vehicle components, which represented approximately HK$157.3 million, HK$152.4 million and HK$59.1 million respectively.

The Target Group's revenue decreased by approximately HK$5.3 million or 3.3% from approximately HK$160.3 million for the year ended 30 June 2018 to approximately HK$155.0 million for the year ended 30 June 2019. The decrease in revenue resulted from the normal fluctuations in large R&D concept car projects caused by the achievement of milestones, such as completion and display at exhibitions, the resonance of which then had to be awaited, which in-turn influenced the downstream project development.

The Target Group's revenue decreased by approximately HK$95.2 million or 61.5% from approximately HK$155.0 million for the year ended 30 June 2019 to approximately HK$59.7 million for the year ended 30 June 2020. The decrease in revenue was partly due to the above mentioned fluctuations compounded with the effects of changes in the subsidies in the NEV market in China, and largely attributable to the unexpected COVID-19 outbreak in early 2020 which has caused an almost complete lockdown around the globe, abrupt pauses in economic activities and thus delay in commencement and implementation of many projects of the Target Group. In particular, as major part of the Target Group's projects were China market driven, the lockdown in China during the first quarter of 2020 significantly impacted the pace of these projects and thus revenue recognised for the Target Group. Before the COVID-19 pandemic, effect of many of the new start-ups reallocating budgets as they faced challenges of mass production also led to some delay of planned vehicle programmes. The pandemic worsened the situation and lengthened the delay. Nevertheless, in view that it is delay instead of termination being imposed, as many COVID-19 restrictions are gradually being lifted in major countries and manufacturing activities are steadily resuming, the delayed projects are expected to restart and the adverse impacts on revenue of the Target Group are expected to gradually fall away.

Profit/(loss) after income tax

The Target Group recorded profit after income tax expense of approximately HK$42.4 million and HK$33.4 million for each of the two financial years ended 30 June 2018 and 2019, and loss after income tax credit of approximately HK$2.5 million for the year ended 30 June 2020.

The decrease by approximately HK$8.9 million or 21.1% from approximately HK$42.4 million for the year ended 30 June 2018 to approximately HK$33.4 million for the year ended 30 June 2019 was in line with the decrease in revenue, effect of which was further coupled with the additional commitment to increasing and retaining know-how and internal capabilities within the Target Group.

The decrease by approximately HK$36.0 million or 107.6% from profit after income tax expense of approximately HK$33.4 million for the year ended 30 June 2019 to loss after income tax credit of approximately HK$2.5 million for the year ended 30 June 2020 was primarily due to the significant drops in revenue under the COVID-19 pandemic as previously mentioned. The improved operational efficiency resulting from successful cost saving practices adopted by the management, however, has mitigated the negative impact brought by the COVID-19 pandemic and will continue to optimize the Target Group's expected performance for the coming years.

Liquidity and Financial Resources

Capital management policy

The Target Group's objective of managing capital is to safeguard the Target Group's ability to continue as a going concern in order to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Target Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher returns to equity owners that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. Since its establishment, the Target Group has been mindful of minimising bank borrowings. With increasing sales and costs, a growing capital reserve was created to cover business development.

Net current assets

The Target Group recorded net current assets of approximately HK$119.2 million, HK$153.2 million and HK$140.2 million as at 30 June 2018, 2019 and 2020, respectively.

Cash and cash equivalents

The balance of cash and bank equivalents of the Target Group as at 30 June 2018, 2019 and 2020 was approximately HK$68.1 million, HK$92.6 million and HK$95.8 million, respectively. The cash and bank equivalents of the Target Group were mainly denominated in EUR.

Borrowing

The Target Group had the following outstanding loans and/or borrowings as of the dates indicated below:

	As at 30 June		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Other loans included in trade and other payables *(Note)*	360	356	—
Total borrowings	360	356	—

Note: The loan was from a subsidiary's shareholder who has beneficial interest in a subsidiary of the Target Company as at 30 June 2018, 2019 and 2020 respectively, being unsecured, repayable on demand and interest bearing at 2% per annum.

Capital commitments

As at 30 June 2018, 2019 and 2020 respectively, the Target Group did not have any capital commitments.

Charges on Assets

As at 30 June 2018, 2019 and 2020 respectively, the Target Group did not have any charge on its assets.

Gearing Ratio

The following table sets out a summary of the Target Group's gearing ratios as at the dates specified below:

	As at 30 June		
	2018	2019	2020
Debt to equity ratio[(1)]	<1%	<1%	<1%

Notes:

1. The debt to equity ratio is calculated by dividing the total borrowings by the total equity.

Foreign Exchange Exposures

The net assets of the Target Group are exposed to foreign currency translation risk. The Target Group currently does not have a foreign currency policy to hedge its currency exposure arising from the net assets of the Target Group. Save for the above, the Target Group had no material exposure to foreign exchange risk as majority of the Target Group's assets were denominated in the functional currency — Euro.

Contingent Liabilities

As at 30 June 2018, 2019 and 2020 respectively, the Target Group did not have any significant contingent liability.

Significant Investment, Material Acquisition and Disposal

As at 30 June 2018, 2019 and 2020 respectively, the Target Group did not hold any significant investments or plan for material investments or capital assets in future period.

Employees and Remuneration Policies

As at 30 June 2020, the Target Group employed a total of 56 employees. Remuneration for the employees of the Target Group includes salaries, bonuses, contributions to defined contribution retirement plan and other benefits. For the years ended 30 June 2018, 2019 and 2020, the Target Group's staff costs were approximately HK$35.3 million, HK$35.8 million and HK$29.7 million, respectively. Employees' remunerations of the Target Group include wages and salaries, child care allowances, contributions to pension plans and performance-based bonuses, which are determined by their work performance, human resource market conditions and economic environment. The Target Group's remuneration policy is reviewed on a regular basis.

The Target Group offers internal training to the employees both for personal development and for improvement on skills related to their positions, including but not limited to courses, open to all employees, on Chinese Intercultural Awareness with the goal of improving the understanding of and relationship with our Chinese customers and suppliers.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The information set out in this appendix does not form part of the Accountants' Report received from BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company as set out in Appendix II to this circular, and is included herein for information only.

The unaudited pro forma financial information set out below should be read in conjunction with the financial information of the Group as set out in Appendix I of this circular, the financial information of the Target Group as set out in Appendix II of this circular, and other financial information included elsewhere in this circular.

The following is an illustrative and unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the ''Unaudited Pro Forma Financial Information''), which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the completion of the Acquisition on the financial position of the Group as at 31 March 2020 as if the completion of the Acquisition had taken place on 31 March 2020.

The Unaudited Pro Forma Financial Information has been prepared on the basis of the notes below based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 31 March 2020 nor does the Unaudited Pro Forma Financial Information purport to predict the future financial position of the Enlarged Group.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 31 March 2020, or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in its published interim report for the six months ended 31 March 2020 and other financial information included elsewhere in this Circular.

	The Group as at 31 March 2020	The Target Group as at 30 June 2020	Pro forma adjustments			Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Notes 3, 4*	*Note 5*	*Note 6*	
NON-CURRENT ASSETS						
Property, plant and equipment	163,647	7,819				171,466
Investment properties	283,611	—				283,611
Right-of-use assets	18,126	13,201	(159)			31,168
Goodwill	1,943,352	—	147,210			2,090,562
Other intangible assets	323,786	726	5,800			330,312
Interest in a joint venture	387	—				387
Interests in associates	19,421	—				19,421
Financial assets at fair value through profit or loss	1,079,650	—				1,079,650
Loans receivable	186,186	—				186,186
Deferred tax assets	5,299	454				5,753
Deposits	2,922	—				2,922
Total non-current assets	4,026,387	22,200				4,201,438

	The Group as at 31 March 2020	The Target Group as at 30 June 2020	Pro forma adjustments			Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Notes 3, 4*	*Note 5*	*Note 6*	
CURRENT ASSETS						
Inventories	143,625	—				143,625
Accounts receivable	21,008	22,369		(3,215)		40,162
Contract assets	—	13,359				13,359
Loans receivable	568,200	—				568,200
Prepayments, deposits and other receivables	86,853	22,767				109,620
Financial assets at fair value through profit or loss	1,412	—				1,412
Tax recoverable	—	997				997
Cash and cash equivalents	123,887	95,776	(130,603)		(4,277)	84,783
Total current assets	944,985	155,268				962,158
CURRENT LIABILITIES						
Accounts payable	30,569	622		(3,215)		27,976
Other payables and accruals	266,151	5,789				271,940
Interest-bearing bank borrowings	108,272	—				108,272
Lease liabilities	5,155	3,987	(24)			9,118
Tax payable	10,736	4,684				15,420
Total current liabilities	420,883	15,082				432,726
NET CURRENT ASSETS	524,102	140,186				529,432
TOTAL ASSETS LESS CURRENT LIABILITIES	4,550,489	162,386				4,730,870
NON-CURRENT LIABILITIES						
Other payables	18,458	—				18,458
Interest-bearing bank borrowings	19,639	—				19,639
Lease liabilities	15,781	9,066	13			24,860
Contingent consideration payables	596,439	—	171,710			768,149
Deferred tax liabilities	91,196	2,282	1,587			95,065
Total non-current liabilities	741,513	11,348				926,171
Net assets	3,808,976	151,038				3,804,699

Notes:

(1) The unaudited consolidated statement of assets and liabilities of the Group as at 31 March 2020 has been extracted from the interim report of the Company dated 29 May 2020.

(2) The audited consolidated statement of assets and liabilities of the Target Group as at 30 June 2020 has been extracted from the accountants' report as set out in Appendix II to this Circular.

(3) Pursuant to the Agreement, the consideration for the Acquisition comprises:

(a) Initial Consideration Price of EUR15,000,000 (equivalent to HK$130,603,000) to be paid in cash upon completion of the Acquisition; and

(b) Further Consideration Price of up to EUR4,200,000 to be paid in cash and Consideration Shares with an aggregate value of up to EUR16,800,000 to be allotted and issued. In terms of the amount of the Further Consideration Price to be paid and the number of Consideration Shares to be allotted and issued, they shall be determined based on the consolidated net profit after tax of the Target Group as shown in the audited consolidated financial statements of the Target Group for each of the years ending 30 June 2021, 30 June 2022 and 30 June 2023 subject to the mechanism below:

(i) Further Consideration Price 2021 of EUR1,400,000 shall be paid in cash and Consideration Shares 2021 with an aggregate value of up to EUR5,600,000 shall be allotted and issued to the Vendors if the consolidated net profit after tax of the Target Group for the year ending 30 June 2021 is more than or equal to EUR4,600,000;

(ii) Further Consideration Price 2022 of EUR1,400,000 shall be paid in cash and Consideration Shares 2022 with an aggregate value of up to EUR5,600,000 shall be allotted and issued to the Vendors if the consolidated net profit after tax of the Target Group for the year ending 30 June 2022 is more than or equal to EUR4,600,000; and

(iii) Further Consideration Price 2023 of EUR1,400,000 shall be paid in cash and Consideration Shares 2023 with an aggregate value of up to EUR5,600,000 shall be allotted and issued to the Vendors if the consolidated net profit after tax of the Target Group for the year ending 30 June 2023 is more than or equal to EUR4,600,000.

The issue price per share of the Consideration Shares will be (a) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for all the Business Days in the three calendar months immediately preceding the date of allotment and issuance of the respective Consideration Shares, or (b) HK$0.52, whichever is higher. In any event, the maximum aggregate number of Consideration Shares to be allotted and issued to the Vendors shall not exceed 281,080,000 Shares.

For the purpose of preparation of the Unaudited Pro Forma Financial Information, the Directors assumed that the consolidated net profit after tax of the Target Group for each of the financial years ending 30 June 2021, 30 June 2022 and 30 June 2023 will be more than or equal to EUR4,600,000, the Further Consideration Price of EUR4,200,000 will be paid and Consideration Shares with an aggregate value of EUR16,800,000 will be allotted and issued by the Company, based on the current business plan and the expected growth of the electric mobility market. Accordingly, the total consideration is assumed to be HK$302,313,000.

(4) This adjustment represents the accounting for the Acquisition using the acquisition method in accordance with Hong Kong Financial Reporting Standard 3 (Revised) *Business Combinations* issued by the Hong Kong Institute of Certified Public Accountants. For the purpose of the Unaudited Pro Forma Financial Information, the Group has carried out an illustrative purchase price allocation and the fair values of the identifiable assets and liabilities of the Target Group as at 30 June 2020 were estimated by the Directors with reference to the valuation performed by Ravia Global Appraisal Advisory Limited, an independent professionally qualified valuer.

The carrying values and fair values of the identifiable assets and liabilities of the Target Group as at 30 June 2020 are as follows:

	Carrying value	**Fair value recognised on acquisition**
	HK$'000	*HK$'000*
Property, plant and equipment	7,819	7,819
Intangible asset — Computer software	726	726
Intangible asset — Customer relationships	—	5,800
Right-of-use assets	13,201	13,042
Deferred tax assets	454	454
Accounts receivable	22,369	22,369
Contract assets	13,359	13,359
Prepayments, deposits and other receivables	22,767	22,767
Tax recoverable	997	997
Cash and cash equivalents	95,776	95,776
Accounts payable	(622)	(622)
Other payables and accruals	(5,789)	(5,789)
Lease liabilities	(13,053)	(13,042)
Tax payable	(4,684)	(4,684)
Deferred tax liabilities	(2,282)	(3,869)
Total identifiable net assets	151,038	155,103
Goodwill on acquisition		147,210
Total consideration *(note 3)*		302,313

The initial consideration is satisfied by cash of EUR15,000,000. The contingent consideration is recognised as a financial liability at fair value through profit or loss as at the date of acquisition.

Since the fair values of the identifiable net assets of the Target Group and the consideration for the Acquisition as at the actual date of the completion of the Acquisition may be materially different from their respective values used in the preparation of the Unaudited Pro Forma Financial Information, the final amounts of the identifiable assets and liabilities, and goodwill to be recognised in connection with the Acquisition may be materially different from the estimated amounts as shown above.

(5) This adjustment represents the elimination of the accounts receivable and accounts payable between the Group and the Target Group as at 31 March 2020 upon completion of the Acquisition.

(6) This adjustment represents the estimated directly attributable legal and professional costs to be incurred for the Acquisition of approximately HK$4,277,000.

(7) Apart from the above, no other adjustment has been made to reflect any trading results or other transactions of the Group and the Target Group entered into subsequent to 31 March 2020.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from Ernst & Young, Certified Public Accountants, in respect of the unaudited pro forma financial information of the Enlarged Group.

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Apollo Future Mobility Group Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Apollo Future Mobility Group Limited (the ''Company'') and its subsidiaries (hereinafter collectively referred to as the ''Group'') by the directors of the Company (the ''Directors'') for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities of the Group as at 31 March 2020, and related notes as set out on pages III-1 to III-5 of the circular dated 24 December 2020 (the ''Circular'') issued by the Company (the ''Unaudited Pro Forma Financial Information''). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-5 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the acquisition of 100% of the issued share capital of Ideenion Automobil AG (the ''Target Company'') (the ''Acquisition'') on the Group's financial position as at 31 March 2020 as if the Acquisition had taken place at 31 March 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's interim financial information for the six months ended 31 March 2020 as set out in the interim report of the Company dated 29 May 2020. Information about the financial position of the Target Company and its subsidiaries (hereinafter collectively referred to as the ''Target Group'') has been extracted by the Directors from the Target Group's financial information, on which an accountants' report has been published in Appendix II to the Circular.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors 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 (''AG'') 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* 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 behavior.

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*, 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 accountants' 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 dates 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors 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 the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition 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 Acquisition 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 in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Acquisition, and to obtain sufficient appropriate evidence about whether:

- the related 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 accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Acquisition 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 on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong
24 December 2020

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Ravia Global Appraisal Advisory Limited, an independent valuer, in connection with its valuation as of 31 March 2020 on the entire issued share capital of the Target Company.

RAVIA GLOBAL APPRAISAL ADVISORY LIMITED

24 December 2020

The Board of Directors
Apollo Future Mobility Group Limited
Units 301 and 302,
Third Floor, Building 22E,
Phase Three, Hong Kong Science Park,
Pak Shek Kok, New Territories,
Hong Kong

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions from Apollo Future Mobility Group Limited (the "Company" or "you"), Ravia Global Appraisal Advisory Limited ("Ravia" or "we") have carried out an appraisal in relation to the 100% equity interest of Ideenion Automobil AG (the "Target Company") and its subsidiaries (collectively the "Target Group") as of 31 March 2020 (the "Date of Valuation").

This report states the purpose of valuation, basis of valuation, scope of work, sources of information, overview of the Target Group, overview of the industry, valuation methodology, sensitivity analysis, major assumptions, limiting conditions, remarks and opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, Ravia acknowledges that this report may be made available to the Company for public documentation purpose and used as reference on the Company's circular dated 24 December 2020 (the "Circular").

We will not accept any responsibility or liability to any third party to whom in respect of, or arising out of, the contents of this report may be shown.

2. BASIS OF VALUATION

Our valuation has been based on fair value, which is defined by International Valuation Standards established by the International Valuation Standards Council as "the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties".

3. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and the information provided by the management of the Company, the management of the Target Group and/or their representative(s) (collectively the "Management").

In the course of our valuation work, we have conducted the following processes to evaluate the reasonableness of the adopted basis and assumptions available to us:

- Discussed with the Management in relation to the background, development, operations, financial performance and other relevant information of the Target Group;
- Reviewed relevant financial information, operational information and other relevant data concerning the Target Group;
- Reviewed and discussed with the Management on the business development concerning the Target Group provided to us by the Management;
- Performed market research in relation to the economic outlook in general and the specific economic environment and market elements affecting the business, industry and market and obtained relevant statistical figures from public sources;
- Examined relevant basis and assumptions of both the financial and operational information of the Target Group, which were provided by the Management;
- Prepared a valuation model to derive the fair value of the Target Group; and
- Presented all relevant information on the scope of work, sources of information, overview of the Target Group, overview of the industry, valuation methodology, sensitivity analysis, major assumptions, limiting conditions, remarks and opinion of value in this report.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

4. SOURCES OF INFORMATION

For the purpose of our valuation, we have been provided with the information in respect of the Target Group prepared by the Management. The valuation required the consideration of all relevant factors including, but not limited to, the following:

- Background information in relation to the business operation and relevant corporate information of the Target Group;
- Historical financial information of the Target Group;
- Registrations, legal documents, permits and licenses related to the Target Group;
- The economic outlook in general and the specific economic environment and market elements affecting the Target Group, industry and market; and
- Bloomberg Database and other reliable sources of market data.

We have no reason to doubt the truth and accuracy of the information provided to us, and we have been confirmed by the Management that no material facts have been omitted from the information provided to us.

5. OVERVIEW OF THE TARGET GROUP

Ideenion Automobil AG (i.e. the Target Company) is principally engaged in the design, development and prototyping of vehicle components and accessories for vehicles in Germany.

Ideenion Design AG is a non-wholly owned subsidiary and Ideenion Electronic AG is a owned subsidiary of the Target Company. Ideenion Design AG is principally engaged in the styling and design of vehicles and the development of software for vehicles. Ideenion Electronic AG is principally engaged in the research and development of electronics and software for vehicles and the design, development and manufacturing of prototype electronic systems and components for vehicles.

According to the audited consolidated financial statements, prepared in accordance with the Hong Kong Financial Reporting Standards, provided by the Management, the Target Group has generated net profit after taxation of approximately EUR2,555,000 for the financial period from 1 April 2019 to 31 March 2020.

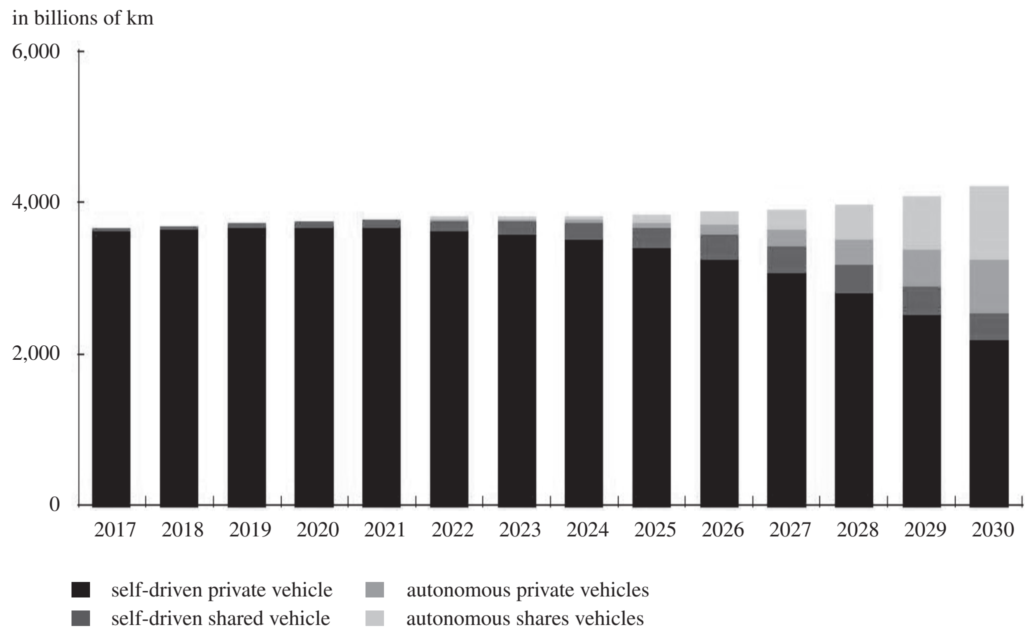
Note:

The net profit after taxation of approximately EUR2,555,000 for the financial period from 1 April 2019 to 31 March 2020 is derived as follows:

	HK$'000	*EUR'000*
Net profit after taxation from 1 July 2019 to 31 March 2020	2,941	337
Add: Net profit after taxation from 1 July 2018 to 30 June 2019	33,407	3,738
Less: Net profit after taxation from 1 July 2018 to 31 March 2019	(13,755)	(1,520)
Net profit after taxation from 1 April 2019 to 31 March 2020	22,593	2,555

6. OVERVIEW OF THE INDUSTRY

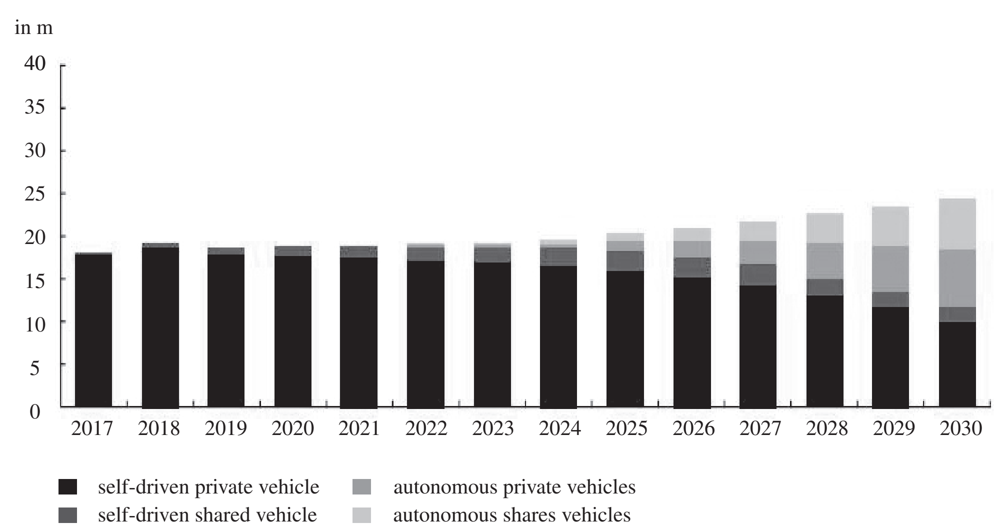
Figure 1 — Vehicle Mileage in Europe (2017–2030)



Source: PricewaterhouseCoopers

According to a recent research, "Five Trends Transforming the Automotive Industry, 2017–2018", published by PricewaterhouseCoopers, an independent professional services firm, more people can participate in motorized individual transport through autonomous and shared vehicles. As per Figure 1, in Europe, almost 3.7 trillion passenger vehicle kilometres are travelled in 2017. In 2030, the vehicle mileage in Europe could reach 4.2 trillion kilometres.

Figure 2 — New Sales of Light Vehicles in Europe (2017–2030)



Source: PricewaterhouseCoopers

The research also states that new car sales will increase in Europe. Alongside political and economic factors, changes in mobility behavior will also have a major impact on future new car sales. Autonomous and shared forms of mobility have faster renewal rates, which will have a positive impact on new car sales. As per Figure 2, new sales of light vehicles could grow from nearly 18 million by 2017 to more than 24 million by 2030.

7. VALUATION METHODOLOGY

In conducting the valuation, we have considered three generally accepted approaches, including market approach, income approach and cost approach.

7.1. General Valuation Approaches

7.1.1 Market Approach

The market approach measures the value of an asset through an analysis of recent sales or offerings of comparable property. Sales and offering prices are adjusted for differences in location, time of sale, utility, and the terms and conditions of sale between the asset being appraised and the comparable properties.

7.1.2 Income Approach

The income approach measures the value of an asset by the present value of its future economic benefits. These benefits can include earnings, cost savings, tax deductions and proceeds from its disposition.

7.1.3 Cost Approach

The cost approach measures the value of an asset by the cost to reproduce or replace it with another of like utility. To the extent that the asset being valued provides less utility than a new asset, the reproduction or replacement cost new would be adjusted to reflect appropriate physical deterioration, functional and economic obsolescence.

7.2. Adopted Approach for the Valuation of the Target Group

Among the abovementioned valuation approaches, the selection of the valuation approach in valuing the Target Group is based on, among other criteria, the quantity and quality of the information provided, accessibility to available data, availability of relevant market transactions, uniqueness of the Target Group's business operations and nature of the industry the Target Group is participating, professional judgment and technical expertise.

The market approach was considered to be the most appropriate valuation approach in this valuation as it requires far fewer subjective assumptions than the income approach and compared to the cost approach it is more likely to reflect current market expectations over the corresponding industry since the price multiples of the comparable companies were arrived from market consensus and capture the future development potentials of the Target Group. Under the market approach, the guideline public company method is adopted.

7.2.1 Comparable Companies

The fair value of the Target Group was determined with reference to the business nature and operational information of publicly listed companies that are considered to be comparable to the Target Group (the "Comparable Companies").

Due to the fact that there is no company is exactly the same as the Target Group, a set of the Comparable Companies must be selected in valuing the Target Group. To determine the set of the Comparable Companies, we mainly focused on the following perspectives during the selection process from the public resources (e.g. Bloomberg), including:

(i) The companies are principally engaged in the provision of automotive consultancy related services in Europe;

(ii) Trailing twelve months net profit of the companies is available; and

(iii) Sufficiency of information (such as listing and operating histories, and availability of the financial information to the public).

Based on the abovementioned selection criteria, we consider the set of the Comparable Companies adopted in the valuation is exhaustive and sufficient to represent a comprehensive list. Details of the Comparable Companies are listed as follows:

Company Name	Bloomberg Ticker	Business Description
ARRK Corporation	7873 JP Equity	ARRK Corporation provides support for new product development focusing on design. The Company produces sample models for major companies in the automobile manufacturing and electronics industries.

Company Name	Bloomberg Ticker	Business Description
Semcon AB	SEMC SS Equity	Semcon AB is an industrial consulting firm. The Company develops and designs new products and provides technical services through close cooperation with its customers. Semcon develops partnership agreements with customers from the automotive, telecom, and medical & life science industries. The Company also offers training for project managers. Semcom is active in Europe.
Bertrandt AG	BDT GR Equity	Bertrandt AG provides engineering consulting and production support services to the automobile industry. The Company provides outsourcing services for the design, development, construction and testing of auto bodies, interiors, engines and drive trains. Bertrandt has subsidiaries in Germany, France and the United Kingdom.
Ricardo plc	RCDO LN Equity	Ricardo plc provides engineering and technological services. The Company offers automotive and powertrain consultancy services for engines, transmissions and engine emissions; designs and develops engines for passenger cars, light vans, trucks and off-road vehicles; designs vehicle transmissions including manual and automatic; and markets automotive engineering software.

Company Name	Bloomberg Ticker	Business Description
Akka Technologies	AKA FP Equity	Akka Technologies provides high-technology engineering consulting services. The Company specializes in scientific project management and engineering, mechanical, electronic, computing, and telecommunications project management and engineering, as well as industrial project management and engineering.
AF Poyry AB	AFB SS Equity	AF Poyry AB provides engineering services. The Company offers designing and consulting services in energy, industry, and infrastructure sectors. AF Poyry serves customers worldwide.
EDAG Engineering Group AG	ED4 GR Equity	EDAG Engineering Group AG operates as an engineering firm. The Company focuses on the integrated development of vehicles and production facilities, derivatives, modules, and their optimization.
Altran Technologies SA	ALT FP Equity	Altran Technologies SA is an engineering and technology consulting company. The Company consults on problems relating to the aerospace, telecommunications, automotive, banking, space, and energy industries. Altran offers services throughout Europe.

Source: Bloomberg

Having considered that companies with sizes comparable to that of the Target Group are not sufficient and representative enough to provide a fair value of the Target Group, the inclusion of the companies with differences in their sizes can form a more comprehensive list reflecting the business returns and risks in assessing the valuation.

Although some of the Comparable Companies are different to the Target Group in terms of business size and company scale, having considered that the Comparable Companies are engaged in similar businesses and in the same geographical location as the Target Group, and therefore they are also of similar business nature and operation, we consider the Comparable Companies are fair and representative samples in performing the analysis.

7.2.2 Adopted Valuation Multiple

To derive the value of the equity interest of the Target Group, we have conducted the valuation based on Price-to-Earnings ("P/E") multiple and adopted the P/E multiple in deriving the fair value of the Target Group.

P/E multiple is calculated as share price ("P") divided by trailing twelve months earnings per share ("E"). This multiple measures how much an independent equity holder is willing to pay for the net profit of a company, regardless of its capital structure. P/E multiple was calculated using the following formula:

P/E multiple = P/E

Where,

P = Price per share of the company

E = Per share trailing twelve months net profit of the company sourced from Bloomberg

Details of the valuation multiples of the Comparable Companies (the "Base Valuation Multiple") are shown below:

Company Name	**Bloomberg Ticker**	**Base Valuation Multiple as of 31 March 2020**
ARRK Corporation	7873 JP Equity	27.96
Semcon AB	SEMC SS Equity	7.60
Bertrandt AG	BDT GR Equity	14.76
Ricardo plc	RCDO LN Equity	8.56
Akka Technologies	AKA FP Equity	6.77
AF Poyry AB	AFB SS Equity	17.43
EDAG Engineering Group AG	ED4 GR Equity	14.80
Altran Technologies SA	ALT FP Equity	20.83
Median (Rounded)		14.78

Source: Bloomberg

Due to the fact that the Comparable Companies are often of different size than the company being valued and larger companies generally have lower expected returns that translate into higher value. On the other hand, small companies are perceived as more risky in relation to business operation and financial performance, and therefore the expected returns (or discount rate) are higher and resulting in lower valuation multiple. Therefore, the Base Valuation Multiple was adjusted to reflect the difference in natures between the Comparable Companies and the Target Group. The adjusted valuation multiple (the "Adjusted Valuation Multiple") was calculated using the following formula:

Adjusted Valuation Multiple = $1/(1/M + \theta)$

Where,

M = Base Valuation Multiple
θ = Required increase in the equity discount rate for size difference

The reciprocal of the Base Valuation Multiple in substance refers to the capitalization rate of the market capitalization of the company. Such capitalization rate has not considered difference of the size between the Comparable Companies and the Target Group.

With reference to"2017 Valuation Handbook — U.S. Guide to Cost of Capital" (i.e. it is the study of historical capital markets data in the United States which statistically analyzes different size of capitalization stocks in large quantities for the period from 1926 to 2016, published by Duff & Phelps, an independent well-known provider of valuation resources), depending on the market capitalization of each of the Comparable Companies, size premium differentials were adopted as of the Date of Valuation to capture the size difference between the Comparable Companies and the Target Group. The Adjusted Valuation Multiple was then derived by the reciprocal of the capitalization rate with the adjustment aforementioned.

Details of the Adjusted Valuation Multiple of the Comparable Companies are shown below:

Company Name	Bloomberg Ticker	Base Valuation Multiple as of 31 March 2020	Market Capitalization *(USD'000)*	Size Premium Differential	Adjusted Valuation Multiple as of 31 March 2020
ARRK Corporation	7873 JP Equity	27.96	278,271	2.91%	15.42
Semcon AB	SEMC SS Equity	7.60	84,494	0.00%	7.60
Bertrandt AG	BDT GR Equity	14.76	345,500	2.91%	10.33
Ricardo plc	RCDO LN Equity	8.56	272,051	2.91%	6.85
Akka Technologies	AKA FP Equity	6.77	553,629	2.91%	5.66
AF Poyry AB	AFB SS Equity	17.43	1,725,670	3.93%	10.35
EDAG Engineering Group AG	ED4 GR Equity	14.80	231,495	0.00%	14.80
Altran Technologies SA	ALT FP Equity	20.83	4,221,606	4.61%	10.63
Median (Rounded)		14.78			10.34

The median of multiple of the Comparable Companies was adopted in the valuation to avoid the outlier impact. The Adjusted Valuation Multiple (i.e. P/E multiple of 10.34 as of 31 March 2020) was adopted in the valuation, then multiplied by the Target Group's net profit after tax of approximately EUR2,555,000 for the financial period from 1 April 2019 to 31 March 2020 to determine the market capitalization of 100% equity interest of the Target Group.

After deriving the market capitalization of the Target Group from P/E multiple (i.e., the Adjusted Valuation Multiple), the result represents 100% equity interest of the Target Group on a minority and marketable basis. Hence, it was further adjusted for the control premium and the discount for lack of marketability to derive the fair value of the equity interest of the Target Group as of the Date of Valuation on a majority and non-marketable basis.

7.2.3 Discount for Lack of Marketability

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted into cash if the owner chooses to sell. Compared to similar interest in public companies, ownership interest in privately held company is not readily marketable. Therefore, the value of a share in a privately held company is usually less than that in a publicly held company. The lack of marketability is a downward adjustment to the value of an investment to reflect its reduced level of marketability.

In determining a reasonable lack of marketability, we have made reference to the "Marketability Discounts, Fair Value and the Forgotten Market Participant" published by the CPA Journal in 2018 which indicated the discount for lack of marketability ranged from 20% to 40%. After considering the journal article, the discount for lack of marketability of 30% was adopted in the valuation. As there is no evidence that the discount for lack of marketability of the Target Group varies from the overall market, we considered that it is fair and appropriate to adopt such marketability discount in our valuation.

7.2.4 Control Premium

The controlling interest in a company can be a distinct advantage on the making decisions in terms of business operations, business development, etc. For instance, with the authority that accompanies control the controlling shareholder can control the company's net cash flow and any discretionary expense items that the company makes on behalf of shareholders. Hence, the value of the controlling interest in a company is usually higher than the minority interest, which is generally held at the great risk of being subject to the judgment, ethics and management skills of the controlling shareholders.

In determining a reasonable control premium, we have made reference to the implied control premium derived from 333 transactions relating to the acquisitions or disposals of majority interest of subject, primarily in the consumer cyclical industry, which was considered to be in a similar industry as the Target Group, in the last 2 years sourced from Bloomberg. After considering the premium average, the rounded control premium of 20% was adopted in the valuation. We considered that it is fair and appropriate to adopt such control premium in our valuation.

7.2.5 Calculation Details

For illustrative purpose, the calculation details of the fair value of the Target Group was shown below:

Net Profit After Tax of the Target Group for the Financial Period from 1 April 2019 to 31 March 2020* *(EUR'000)*	2,555
Multiplied by: Median Adjusted P/E Multiple*	10.34
Fair Value before Applying Marketability Discount and Control Premium* *(EUR'000)*	26,419
Adjusted for Control Premium	(1+20%)
Adjusted for Marketability Discount	(1-30%)
Fair Value of 100% Equity Interest of the Target Group* *(EUR'000)*	22,200

* *Rounding figures*

8. SENSITIVITY ANALYSIS

By its very nature, valuation work cannot be regarded as an exact science and the conclusion arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment. Hence, there is no single indisputable range and generally we cannot provide absolute assurance on a valuation. Thus, the following sensitivity analysis has been applied to determine the impact of change in adjusted P/E multiple on the fair value of 100% equity interest of the Target Group.

Sensitivity Analysis for the Valuation as of 31 March 2020

Change in Adjusted Valuation Multiple (x)	**Adjusted P/E Multiple** (x)	**Fair Value of 100% Interest of the Target Group** *(EUR'000)*	**Change in Fair Value of 100% Equity Interest of the Target Group**
+10%	11.37	24,420	10.0%
+5%	10.86	23,310	5.0%
Base case	10.34	22,200	—
-5%	9.82	21,090	-5.0%
-10%	9.31	19,980	-10.0%

9. MAJOR ASSUMPTIONS

In conducting our valuation work, the following assumptions have been adopted in order to sufficiently support our conclusion of value:

- The information provided and the representations made by the Management with regard to the Target Group's financial and business affairs are accurate and reliable;
- The Target Group will continue to operate as a going concern and has sufficient liquidity and capability to achieve the business development;
- The Target Group has obtained all necessary permits, business certificates, licenses and legal approvals to operate the business and all relevant permits, business certificates, licenses and legal approvals to operate the business in the localities in which the Target Group operates or intends to operate would be officially obtained and renewable upon expiry with de minimis expenses;
- There will be sufficient supply of technical staff in the industry in which the Target Group operates or intends to operate, and the Target Group will retain competent management, key personnel and technical staff to support their ongoing operations and developments;
- There will be no major changes in the current taxation laws in the localities in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major changes in the political, legal, economic or market conditions in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Group;

- There will be no material changes in the relevant interest rates and exchange rates that would impact the Target Group's business; and

- There are no undisclosed actual or contingent assets or liabilities, no unusual obligations or substantial commitments, other than in the ordinary course of business and as reflected in the financials, nor any litigation pending or threatened, which would have a material impact on the value of the Target Group as of the Date of Valuation.

In the event actual events do not accord with one or more of the above assumptions, the resulting value of the Target Group may vary substantially from the figure as set out in this report.

10. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on information provided by the Management to a considerable extent in arriving at our opinion of value. We have not verified the accuracy of the information provided and have assumed that the aforesaid information is accurate. We have not conducted any further investigations concerning whether all data have been provided to us for our assessment and we have no reason to believe that any material data have been withheld from us.

We would particularly point out that our valuation was based on the information such as the financial information, company background, business nature of the Target Group provided to us.

Our conclusion of the value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

By its very nature, valuation work cannot be regarded as an exact science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment. Hence, there is no single indisputable range and generally we cannot provide absolute assurance on a valuation.

This report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated in **Section 1 — Purpose of Valuation**, neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear. We will not accept any responsibility or liability to any third party to whom in respect of, or arising out of, the contents of this report may be shown.

The title of this report shall not pass to the Company until all professional fees have been paid in full.

11. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Euro (EUR).

12. OPINION OF VALUE

Based on the investigation and analysis stated above, our scope of work, information reviewed, the assumptions adopted and the valuation method employed, it is our independent opinion that the fair value of 100% equity interest of the Target Group as at the Date of Valuation was approximately ***EUR22,200,000 (EURO TWENTY-TWO MILLION TWO HUNDRED THOUSAND ONLY)***.

We hereby confirm that we have neither present nor prospective interests in the Company, the Target Group, or the value reported herein.

Yours faithfully,
For and on behalf of
Ravia Global Appraisal Advisory Limited

Elvis C F Ng
CFA, FRM
Director

Note: Mr. Elvis C F Ng is a holder of Chartered Financial Analyst and a certified Financial Risk Manager. He has over ten years' experience in business valuation, transaction advisory and corporate consultancy in the Asia Pacific Region including Hong Kong, the PRC and Australia, as well as in European, American, Middle-east and African countries.

1. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately following the allotment and issue of the Consideration Shares (assuming there will be no change to the total number of Shares in issue from the Latest Practicable Date to the date of issue of the Consideration Shares in full other than the issue of the Consideration Shares by the Company) will be as follows:

As at the Latest Practicable Date

		HK$
Authorised:		
10,000,000,000	Shares of HK$0.10 each	1,000,000,000
Issued and fully paid or credited as fully paid:		
7,201,586,562	Shares of HK$0.10 each	720,158,656

Immediately following the Completion of the Subscription and the allotment and issue of the Consideration Shares (assuming there will be no change to the total number of Shares in issue from the Latest Practicable Date to the date of issue of the Consideration Shares in full other than the issue of Shares under the Subscription and the issue of the Consideration Shares by the Company)

		HK$
Authorised:		
10,000,000,000	Shares of HK$0.10 each	1,000,000,000
Issued and fully paid or credited as fully paid:		
7,201,586,562	Shares of HK$0.10 each	720,158,656
1,035,208,000	Shares to be allotted and issued to the Subscribers pursuant to the Subscription Agreement	103,520,800
281,080,000	Maximum Consideration Shares to be allotted and issued	28,108,000
8,517,874,562		851,787,456

The Consideration Shares, credited as fully paid and free from all encumbrances if and when issued, shall rank pari passu in all respects with the other Shares in issue or to be issued by the Company on or prior to the date of allotment of the Consideration Shares.

The Consideration Shares (if any) will be allotted and issued under the Specific Mandate to be sought from the Shareholders at the EGM. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the Directors and chief executives of the Company have the following interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

Name of Directors	Capacity and nature of interest	Number of ordinary shares held	Number of share options held	Total interests	Percentage of interest *(Note 1)*
Mr. Ho King Fung, Eric *(Chairman)*	Personal	19,000,000	50,000,000	69,000,000	0.96%
Mr. Sung Kin Man *(Chief Executive Officer)*	Personal	Nil	30,000,000	30,000,000	0.42%
Mr. Zhang Jinbing	Corporate and Personal	3,960,000	1,488,000	5,448,000	0.08%
Mr. Tam Ping Kuen, Daniel	Personal	960,000	2,488,000	3,448,000	0.05%
Mr. Teoh Chun Ming	Personal	Nil	1,000,000	1,000,000	0.01%
Mr. Peter Edward Jackson	Personal	Nil	1,000,000	1,000,000	0.01%

Notes:

1. Based on 7,201,586,562 shares of the Company in issue as at the Latest Practicable Date.

2. All the interests disclosed above represent long positions in the ordinary shares of the Company.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into or proposed to enter into any service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

5. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration proceedings of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

6. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Enlarged Group) have been entered into by members of the Enlarged Group within two years immediately preceding the Latest Practicable Date which are or may be material:

(i) the Fifth Supplemental Agreement;

(ii) the Subscription Agreement;

(iii) the Fourth Supplemental Agreement;

(iv) the Third Supplemental Agreement;

(v) the Second Supplemental Agreement;

(vi) the supplemental agreement dated 3 January 2020 and entered into among the Company, Ideal Time Ventures Limited, Mr. Choi Sung Fung (alias Mr. Norman Choi) and Sino Partner amending and supplementing the Apollo Agreement (as defined below);

(vii) the Supplemental Agreement;

(viii) the joint venture agreement dated 12 November 2019 entered into by the Company, Jiangsu Jemmell New Energy Automobile Company Limited* (江蘇吉麥新能源車業有限公司) and GLM Company Limited (GLM株式会社) in relation to the formation and management of a joint venture company in the PRC to engage primarily in the design, research and development, and production of NEVs and related automobile parts, and will also provide related technical support and after-sales services, under which the Company will contribute (in cash or in kind) RMB100,000,000 into the joint venture company;

(ix) the Agreement;

(x) the supplemental agreement dated 15 August 2019 and entered into among the Company, Ideal Time Ventures Limited, Mr. Choi Sung Fung (alias Mr. Norman Choi) and Sino Partner amending and supplementing the Apollo Agreement (as defined below);

(xi) the subscription agreement dated 8 July 2019 and entered into by the Company and Sino-Alliance International, Ltd ("**SAI**") in respect of the subscription of 382,352,000 new Shares by SAI at the subscription price of HK$0.51 per subscription Share;

(xii) the sale and purchase agreement dated 16 May 2019 (as amended and supplemented by the Apollo Supplemental Agreement) and entered into among the Company, Ideal Time Ventures Limited, Mr. Choi Sung Fung (alias Mr. Norman Choi) and Sino Partner in relation to the acquisition of certain shares of Sino Partner and the provision of bridge loan (the "**Apollo Agreement**");

(xiii) the conditional sale and purchase agreement dated 29 May 2019 and entered into by 深圳市琪晶達貿易有限公司 (Shenzhen Qijingda Trading Co., Ltd.), an indirect wholly-owned subsidiary of the Company, as seller, and Mount Noble Limited, as buyer, in respect of the sale and purchase of the entire issued share capital of Shenzhen Qijingda Trading (HK) Company Limited, for a total cash consideration of HK$11,000,000;

(xiv) the subscription agreement dated 8 May 2019 and entered into by the Company and Great Dawn Investments Limited (鴻昕投資有限公司) ("**Great Dawn**") in respect of the subscription of 400,000,000 new Shares by Great Dawn at the subscription price of HK$0.51 per subscription Share; and

(xv) the non-legally binding cooperation framework agreement dated 8 May 2019 and entered into between the Company and Agile Group Holdings Limited in respect of the proposed cooperation between the Company and 雅居樂地產置業有限公司 (Agile Property Land Co., Ltd.) for the production, research and development of NEV-related technology and products in the PRC.

* *for identification purposes only*

8. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interests, either directly or indirectly, in any assets which have been, since 30 September 2019 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

9. MATERIAL ADVERSE CHANGE

References are made to the profit warning announcement and annual results announcement of the Company dated 29 November 2019 and 23 December 2019 respectively and the annual report of the Company published on 23 January 2020 on the websites of the Stock Exchange and the Company regarding the increase in consolidated net loss for the year ended 30 September 2019, as compared to the corresponding period in 2018. As disclosed in the aforementioned announcements and annual report, such increase was primarily attributable to (i) the decrease in gross profit in the segment of jewellery products and watches due to deteriorated retail market conditions in Mainland China and Hong Kong; (ii) the provision for impairment of loans receivable as a result of extremely challenging market conditions; (iii) the impairment of goodwill; and (iv) the decrease in fair value on investment properties due to the softening property market in Mainland China.

Reference is also made to the inside information announcement of the Company dated 30 December 2019 regarding a notice of termination dated 28 December 2019 received by the Group from a licensor with which a wholly-owned subsidiary of the Company as licensee entered into an agreement in January 2016 for the exclusive wholesale distribution of jewellery products and watches in the PRC, notifying the termination of such agreement on 31 December 2019 (the "**Termination**").

As disclosed in the aforesaid announcement, revenue generated from sales under such agreement for the year ended 30 September 2019 represented approximately 52% of the Group's consolidated revenue for the year.

Although the Termination may temporarily affect the Group's revenue, the Company does not expect the Termination to have material adverse impact on the Group's overall strategy as the Group has decided to gradually move away from the lackluster jewellery products and watches retailing business and to focus on the more promising mobility technology solutions business going forward.

References are also made to the profit warning announcement, profit warning supplemental announcement and interim results announcement dated 12 May 2020, 18 May 2020 and 29 May 2020 respectively and interim report of the Company published on 24 June 2020 on the websites of the Stock Exchange and the Company regarding the increase in consolidated net loss for the six months ended 31 March 2020, as compared to the corresponding period in 2019. As disclosed in the aforementioned announcements and interim report, such increase was mainly attributable to, among others, (i) the decrease in fair value on certain financial assets due to the global market decline; (ii) the impairment of certain goodwill due to the termination of the wholesale distributorship of jewellery products and watches in Mainland China; and (iii) the decrease in fair value on investment properties due to the softening property market in Mainland China.

Save as disclosed above, the Directors have confirmed that they were not aware of any material adverse change in the financial or trading position of the Group since 30 September 2019, being the date to which the latest published audited accounts of the Company were made up to.

10. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualifications
BDO Limited	Certified Public Accountant
Ernst & Young	Certified Public Accountant
Ravia Global Appraisal Advisory Limited	Independent qualified valuer

As at the Latest Practicable Date, the above experts:

(a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; or

(b) did not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 30 September 2019), acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and references to its name, in the form and context in which it respectively appears.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during 9:00 a.m. to 5:00 p.m. on any weekday (except for Saturday and public holidays) at the head office and principal place of business of the Company from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the three years ended 30 September 2017, 2018 and 2019, and the interim report of the Company for the six months ended 31 March 2020;

(c) the accountants' report prepared by BDO Limited on the financial information of the Target Group, the text of which is set out in Appendix II of this circular;

(d) the report issued by Ernst & Young in relation to the unaudited pro forma financial information of the Enlarged Group the text of which is set out in Appendix III to this circular;

(e) the valuation report of the Target Company, the text of which is set out in Appendix IV to this circular;

(f) copy of the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(g) the consent letters referred to in the paragraph headed "Experts' qualifications and consents" in this appendix;

(h) the circular of the Company dated 18 February 2020 in relation to the acquisition of certain shares of Sino Partner and the provision of bridge loan pursuant to the terms of the Apollo Agreement; and

(i) this circular.

12. MISCELLANEOUS

(a) The Company Secretary of the Company is Mr. Moy Yee Wo, Matthew who graduated with a bachelor's degree in accounting and obtained a master's degree in business administration at the Hong Kong University of Science and Technology. He is a member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the head office and principal place of business of the Company is Units 301 and 302, Third Floor, Building 22E, Phase Three, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

(c) The Company's principal Share registrar and transfer office is SMP Partners (Cayman) Limited at Royal Bank House — 3rd Floor, 24 Shedden Road, Grand Cayman, KY1-1110, Cayman Islands.

(d) The Company's Hong Kong branch Share registrar and transfer office is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text thereof.

apollo

APOLLO FUTURE MOBILITY GROUP LIMITED
力世紀有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 860)

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of Apollo Future Mobility Group Limited (the ''Company'') will be held at 11:00 a.m. on Friday, 29 January 2021 at Units 301 and 302, Third Floor, Building 22E, Phase Three, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong for the purposes of considering and, if thought fit, passing (with or without amendments) the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. ''THAT subject to the passing of ordinary resolution numbered 2 herein:

   (a) the sale and purchase agreement dated 31 October 2019 (as amended and supplemented by the supplemental agreement dated 12 December 2019, the second supplemental agreement dated 13 March 2020, the third supplemental agreement dated 11 June 2020, the fourth supplemental agreement dated 15 September 2020 and the fifth supplemental agreement dated 14 December 2020 and as amended, supplemented or varied from time to time) (the ''Agreement'') and entered into among the Company and Mr. Mirko Konta, Mr. Werner Händl and Mr. Nigel Westwood (together, the ''Vendors'') (copy of the Agreement is tabled at the meeting and marked ''A'' and signed by the chairman of the meeting for identification purpose) pursuant to which, among others, the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell, 50,000 issued ordinary shares of Ideenion Automobil AG (the ''Target Company''), representing the entire issued share capital of the Target Company (the ''Acquisition''), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

   (b) any one director of the Company (the ''Director(s)'') be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he may consider necessary or desirable for the purpose of or in connection with or to give effect to the Agreement and the transactions contemplated thereunder.''

2. "THAT subject to the passing of ordinary resolution numbered 1 herein and the Listing Committee of The Stock Exchange of Hong Kong Limited having granted the listing of, and permission to deal in the Consideration Shares (as defined below), the Directors be and are hereby granted a specific mandate (the "Specific Mandate") which shall entitle the Directors to exercise all the powers of the Company to allot and issue up to 281,080,000 new ordinary shares of the Company (the "Consideration Shares") at an issue price of not lower than HK$0.52 per Consideration Share to the Vendors as part of the consideration for the Acquisition subject to the terms and conditions of the Agreement, where such Consideration Shares shall rank pari passu in all respects with the other ordinary shares of the Company in issue or to be issued by the Company on or prior to the date of allotment of the Consideration Shares, provided that the Specific Mandate shall be in addition to, and shall not prejudice nor revoke, any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution."

By order of the Board
Apollo Future Mobility Group Limited
Ho King Fung, Eric
Chairman

Hong Kong, 24 December 2020

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Units 301 and 302, Third Floor
Building 22E, Phase Three
Hong Kong Science Park
Pak Shek Kok
New Territories
Hong Kong

Notes:

(1) A member of the Company entitled to attend and vote at the aforesaid meeting is entitled to appoint one or (if he holds two or more shares) more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

(2) To be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Hong Kong branch share registrar of the Company, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.

(3) Completion and return of the form of proxy will not preclude members from attending and voting in person at the aforesaid meeting.

(4) A form of proxy must be signed by you or your attorney duly authorized in writing or, in the case of a corporation, must be either executed under its common seal or under the hand of an officer or attorney duly authorized to sign the same.

(5) In the case of joint holders of any shares, any one of such joint holders may vote at the aforesaid meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto. However, if more than one of such joint holders is present at the aforesaid meeting, either personally or by proxy, the vote of the joint holder whose name stands first in the register of members of the Company and who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s).

(6) The register of members of the Company will be closed from Monday, 25 January 2021 to Friday, 29 January 2021 (both days inclusive) for the purpose of determining entitlement of the shareholders of the Company to attend and vote at the aforesaid meeting, during which period no transfer of shares in the Company will be effected. In order to qualify for attending and voting at the aforesaid meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 22 January 2021.

(7) Please see pages 6 to 7 of the circular of the Company dated 24 December 2020 for measures being taken to try to prevent and control the spread of the novel coronavirus (COVID-19) at the Meeting, including:

- compulsory temperature checks and health declaration
- recommended wearing of surgical face masks
- no distribution of corporate gifts and refreshments
- appropriate distancing and spacing in line with the guidance from the Hong Kong Government will be maintained and as such, the Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding

(8) Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the Meeting venue. In order to facilitate the prevention and control of the novel coronavirus (COVID-19), and to safeguard the health and safety of attending shareholders, the Company encourages shareholders to consider NOT to attend the EGM in person, and advises Shareholders to appoint the chairman of the Meeting as their proxy to vote on the relevant resolutions at the Meeting as an alternative to attending the Meeting in person.

(9) Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further notice on such measures as appropriate.