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apollo

APOLLO FUTURE MOBILITY GROUP LIMITED

力世紀有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 860)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 MARCH 2021**

The board (the “Board”) of directors (the “Directors”) of Apollo Future Mobility Group Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 March 2021 (the “Period”) together with the comparative figures for the corresponding period in 2020. The unaudited interim condensed consolidated financial information for the six months ended 31 March 2021 has been reviewed by the audit committee (the “Audit Committee”) of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 31 MARCH 2021

	Notes	For the six months ended 31 March	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
REVENUE	4	241,080	256,908
Cost of sales		<u>(179,913)</u>	<u>(167,066)</u>
Gross profit		61,167	89,842
Other income		3,568	7,747
Other gains/(losses), net		17,467	(220,538)
Selling and distribution expenses		(29,561)	(25,775)
General and administrative expenses		(207,255)	(92,212)
Research and development costs		(30,818)	(7,636)
Other expenses		–	(487)
Finance costs		(3,670)	(3,686)
Share of profits and losses of a joint venture and associates		<u>(22,876)</u>	<u>1,476</u>
LOSS BEFORE TAX	5	(211,978)	(251,269)
Income tax credit	6	<u>4,631</u>	<u>22,487</u>
LOSS FOR THE PERIOD		<u>(207,347)</u>	<u>(228,782)</u>
Attributable to:			
Owners of the Company		(201,818)	(203,370)
Non-controlling interests		<u>(5,529)</u>	<u>(25,412)</u>
		<u>(207,347)</u>	<u>(228,782)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>HK(2.69) cents</u>	<u>HK(2.84) cents</u>
Diluted		<u>HK(3.38) cents</u>	<u>HK(2.84) cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**

FOR THE SIX MONTHS ENDED 31 MARCH 2021

	For the six months ended 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	<u>(207,347)</u>	<u>(228,782)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(28,217)	(28,359)
Share of other comprehensive income/(loss) of an associate	<u>2,080</u>	<u>(1,144)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	<u>(26,137)</u>	<u>(29,503)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(233,484)</u>	<u>(258,285)</u>
Attributable to:		
Owners of the Company	(230,360)	(232,856)
Non-controlling interests	<u>(3,124)</u>	<u>(25,429)</u>
	<u>(233,484)</u>	<u>(258,285)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

		31 March	30 September
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		115,199	102,834
Investment properties		–	63,228
Right-of-use assets		80,870	73,394
Goodwill		2,165,993	1,994,520
Other intangible assets		308,982	310,290
Interest in a joint venture		380	381
Interests in associates		4,570	25,365
Financial assets at fair value through profit or loss		1,069,643	1,028,342
Loans receivable		28,636	26,656
Deferred tax assets		9,839	5,934
Deposits		2,199	9,856
		<hr/>	<hr/>
Total non-current assets		3,786,311	3,640,800
CURRENT ASSETS			
Inventories		155,575	172,662
Accounts receivable	9	78,613	17,772
Contract assets		1,638	–
Loans receivable		618,599	678,055
Prepayments, deposits and other receivables		73,264	621,183
Financial assets at fair value through profit or loss		1,375	1,376
Tax recoverable		1,850	1,481
Cash and cash equivalents		316,822	184,541
		<hr/>	<hr/>
		1,247,736	1,677,070
Assets of a disposal group classified as held for sale	12	740,815	–
		<hr/>	<hr/>
Total current assets		1,988,551	1,677,070
CURRENT LIABILITIES			
Accounts payable	10	169,394	44,319
Other payables and accruals		261,009	297,705
Interest-bearing bank and other borrowings		50,746	147,474
Lease liabilities		10,375	8,099
Tax payable		9,739	372,278
		<hr/>	<hr/>
		501,263	869,875
Liabilities directly associated with the assets classified as held for sale	12	457,494	–
		<hr/>	<hr/>
Total current liabilities		958,757	869,875

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION** *(continued)*
AS AT 31 MARCH 2021

	<i>Notes</i>	31 March 2021 <i>HK\$'000</i> (Unaudited)	30 September 2020 <i>HK\$'000</i> (Audited)
NET CURRENT ASSETS		1,029,794	807,195
TOTAL ASSETS LESS CURRENT LIABILITIES		4,816,105	4,447,995
NON-CURRENT LIABILITIES			
Other payables		13,359	15,909
Interest-bearing bank borrowings		18,113	19,561
Lease liabilities		18,691	15,068
Contingent consideration payables		758,511	619,069
Deferred tax liabilities		42,977	44,996
Total non-current liabilities		851,651	714,603
Net assets		3,964,454	3,733,392
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>11</i>	798,279	717,019
Reserves		3,043,102	2,890,176
		3,841,381	3,607,195
Non-controlling interests		123,073	126,197
Total equity		3,964,454	3,733,392

NOTES

FOR THE SIX MONTHS ENDED 31 MARCH 2021

1. CORPORATE INFORMATION

Apollo Future Mobility Group Limited was incorporated in the Cayman Islands as an exempted company with limited liability. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Units 301 and 302, Third Floor, Building 22E, Phase Three, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 31 March 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 30 September 2020. The unaudited interim condensed consolidated financial information is presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 September 2020, except for the adoption of the *Conceptual Framework for Financial Reporting 2018* and the following revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective for the first time for the current period's unaudited interim condensed consolidated financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
2020 Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

Other than as explained below regarding the impact of 2020 Amendment to HKFRS 16, the adoption of the *Conceptual Framework for Financial Reporting 2018* and the above revised HKFRSs has had no significant financial effect on the unaudited interim condensed consolidated financial information.

2020 Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the six months ended 31 March 2021, certain monthly lease payments for a lease of the Group's office premises have been reduced by the lessor as a result of the pandemic and there are no other changes to the terms of the lease. The Group has adopted the amendment on 1 October 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessor as a result of the pandemic during the six months ended 31 March 2021. Accordingly, a reduction in the lease payments arising from the rent concessions of HK\$341,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the six months ended 31 March 2021.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sales and distribution of vehicles and related components and provision of engineering services	44,228	935
Sales of jewellery products and watches	177,653	215,080
	221,881	216,015
Revenue from other sources		
Interest income from loan financing	19,199	27,096
Rental income from investment properties	–	13,797
	19,199	40,893
	241,080	256,908

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	For the six months ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	179,713	173,698
Reversal of write-down of inventories to net realisable value	(2,339)	(10,748)
Impairment of loans receivable, net*	18,256	10,108
Impairment of accounts receivable, net*	5,542	–
Impairment of goodwill*	–	29,555
Impairment of other intangible assets*	–	27,135
Fair value losses/(gains) on financial assets at fair value through profit or loss, net*	(61,300)	81,993
Fair value losses on contingent consideration payables, net*	18,175	–
Fair value losses on investment properties*	118	70,097

* Included in "Other gains/(losses), net" on the face of the condensed consolidated statement of profit or loss.

6. INCOME TAX

The Group calculates the income tax expense for each interim period based on the best estimate of the applicable weighted average annual income rate expected for the full financial year. The major components of income tax credit in the condensed consolidated statement of profit or loss are:

	For the six months ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current:		
Hong Kong		
Charge for the period	–	3,690
Overprovision in prior periods	–	(423)
Elsewhere		
Charge for the period	74	123
Deferred	(4,705)	(25,877)
Total tax credit for the period	(4,631)	(22,487)

7. DIVIDEND

The board of directors of the Company does not recommend the payment of an interim dividend in respect of the six months ended 31 March 2021 (six months ended 31 March 2020: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 7,510,482,805 (six months ended 31 March 2020: 7,170,198,562) in issue during the period.

The calculation of the diluted loss per share amount for the six months ended 31 March 2021 is based on the loss for the period attributable to ordinary equity holders of the Company, adjusted for the effect of dilutive potential ordinary shares arising from adjustment to the share of loss of an associate. The weighted average number of ordinary shares used in the calculation of the diluted loss per share amount for the six months ended 31 March 2021 is the number of ordinary shares in issue during the period, as used in the basic loss per share calculation, as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

No adjustment has been made to the basic loss per share amount presented for the six months ended 31 March 2020 in respect of a dilution as the impact of the adjustment to the share of profit of an associate and the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

The calculations of basic and diluted loss per share are based on:

Loss

	For the six months ended 31 March	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	(201,818)	(203,370)
Effect of dilutive potential ordinary shares arising from adjustment to the share of loss of an associate	(52,375)	–
	<u>(254,193)</u>	<u>(203,370)</u>
Loss attributable to ordinary equity holders of the Company, used in the diluted loss per share calculation	<u>(254,193)</u>	<u>(203,370)</u>

Shares

	Number of shares For the six months ended 31 March	
	2021 (Unaudited)	2020 (Unaudited)
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculations	<u>7,510,482,805</u>	<u>7,170,198,562</u>

9. ACCOUNTS RECEIVABLE

	31 March 2021 <i>HK\$'000</i> (Unaudited)	30 September 2020 <i>HK\$'000</i> (Audited)
Accounts receivable	84,928	18,545
Impairment	(6,315)	(773)
	<u>78,613</u>	<u>17,772</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance may be required. The credit period is generally one month, extending up to three months or more for certain customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

An ageing analysis of the accounts receivable as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	31 March 2021 HK\$'000 (Unaudited)	30 September 2020 HK\$'000 (Audited)
Within 30 days	12,506	13,629
31 to 60 days	4,650	2,137
61 to 90 days	9,297	962
Over 90 days	52,160	1,044
	<u>78,613</u>	<u>17,772</u>

10. ACCOUNTS PAYABLE

An ageing analysis of the accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

	31 March 2021 HK\$'000 (Unaudited)	30 September 2020 HK\$'000 (Audited)
Within 30 days	58,462	30,768
31 to 60 days	24,264	–
61 to 90 days	50,451	149
Over 90 days	36,217	13,402
	<u>169,394</u>	<u>44,319</u>

11. ISSUED CAPITAL

	31 March 2021 HK\$'000 (Unaudited)	30 September 2020 HK\$'000 (Audited)
Authorised:		
10,000,000,000 ordinary shares of HK\$0.1 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
7,982,794,562 (30 September 2020: 7,170,198,562) ordinary shares of HK\$0.1 each	<u>798,279</u>	<u>717,019</u>

A summary of movements in the Company's issued capital during the period is as follows:

	Number of ordinary shares in issue '000	Issued capital HK\$'000
At 1 October 2020	7,170,199	717,019
Issue of subscription shares (<i>note</i>)	<u>812,596</u>	<u>81,260</u>
At 31 March 2021	<u>7,982,795</u>	<u>798,279</u>

Note:

During the period, 812,596,000 ordinary shares of the Company (the "Share(s)") were allotted and issued at a subscription price of HK\$0.46 per Share to certain subscribers for a total cash consideration, before expenses, of approximately HK\$373,794,000.

12. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 30 March 2021, the Group entered into a sale and purchase agreement with an independent third party whereby the Group agreed to dispose of its entire equity interest in Marvel Bloom Limited ("Marvel Bloom") for a cash consideration of HK\$200,000,000. Marvel Bloom and its subsidiaries (collectively referred to as the "Marvel Bloom Group") are principally engaged in property investment in Shenyang, the People's Republic of China. The transaction is expected to be completed on or before 31 December 2021. Accordingly, the assets and liabilities of the Marvel Bloom Group as at 31 March 2021 were classified as a disposal group held for sale.

13. BUSINESS COMBINATION

The Group entered into a sale and purchase agreement on 31 October 2019 and supplemental agreements on 12 December 2019, 13 March 2020, 11 June 2020, 15 September 2020 and 14 December 2020 with three independent third parties (the “Ideenion Vendors”), pursuant to which the Group conditionally agreed to purchase, and the Ideenion Vendors conditionally agreed to sell, the entire issued share capital of Ideenion Automobil AG (“Ideenion”), which together with its subsidiaries (collectively, the “Ideenion Group”) are principally engaged in the design, development and prototyping of internal combustion engine vehicles and new energy vehicles (the “Ideenion Acquisition”). The Ideenion Acquisition was completed on 10 February 2021.

The aggregate consideration for the Ideenion Acquisition comprises (i) an initial cash consideration of Euro (“EUR”)15,000,000; and (ii) depending on the financial performance of the Ideenion Group for each of the three financial years ending 30 June 2021, 2022 and 2023, further cash considerations of up to EUR4,200,000 and further consideration shares with an aggregate value of up to approximately EUR16,800,000 to be allotted and issued by the Company to the Ideenion Vendors.

The major assets acquired through this business combination include, amongst others, property, plant and equipment, and other intangible assets. Accordingly, the Group has initially recognised identifiable net assets of HK\$30,756,000 and goodwill of HK\$236,811,000 in accordance with HKFRS 3 (Revised) “Business Combinations”. The fair values of the considerations transferred, the identifiable net assets and the carrying amount of goodwill of the above business combination as at the date of acquisition are provisional amounts and are subject to the finalisation of the initial accounting for the business combination.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Mobility Technology Solutions Market

New Energy Vehicles

The global automobile market has continued to exhibit an unabated momentum of migrating to new energy vehicles (“NEV(s)”) despite the Covid-19 pandemic. Statistics released by the International Energy Agency (the “IEA”) revealed that 3 million new electric vehicles (“EV(s)”) were registered around the world in 2020, representing an increase of approximately 41% year on year.

The pace of growth accelerated further in the first quarter of 2021 at 140% year on year, driven by the nearly half a million units of EVs sold in Mainland China and in Europe respectively, while the sales of EVs in the United States of America has more than doubled year on year.

Of the world’s top 20 vehicle manufacturers (the “OEMs”), about 18 have announced plans to broaden their model range and increase production of light-duty EVs. This is a result of the OEMs’ efforts to accelerate their development in the EV space to meet the strong global demand for EVs.

In the meantime in Mainland China, sales of NEVs experienced robust year-on-year growth in the first quarter of 2021 as the appetite of individual consumers for green cars continued to increase. According to data from the China Association of Automobile Manufacturers (CAAM), NEV sales in Mainland China reached 515,000 units during the first quarter of 2021, which is about 2.8 times higher than the corresponding period of last year. The growth was attributable to the increasing demand from Chinese consumers as well as the OEMs’ efforts to upgrade their products to meet the consumers’ needs.

Engineering Service Outsourcing

Even after adjustments have been made in light of the impact brought by the Covid-19 pandemic, the global market for automotive engineering services outsourcing (“ESO”) is projected to grow at a relatively fast compound annual growth rate (“CAGR”) of 24.9% to reach US\$383.8 billion by 2027, from the estimated US\$81.1 billion in 2020, according to the research firm Global Industry Analysts, Inc. The prototyping segment is also projected to grow at 26.1% CAGR from 2020 and reach US\$130.4 billion by 2027.

In addition, the ESO market in Mainland China is forecast to grow at 24.2% CAGR from 2020 and reach a projected size of US\$66.2 billion by 2027. The estimated growth in CAGR for Japan, Canada and Germany are 22.4%, 21.1% and 17.3%, respectively, from 2020 to 2027.

The relatively high growth for ESO in key markets is underpinned by the pressure on major automotive manufacturers to increase their engineering prowess to keep pace with increasing consumer demand for new products. There is constant pressure to quickly design, prototype, manufacture and launch new products in the market, in response to ever-decreasing product lifecycles and greater demand, straining in-house engineering workforces and processes of those manufacturers.

Amid the Covid-19 pandemic, the automobile industry has been witnessing increasing collaborations between traditional major automobile brands and ESO providers in NEV projects. These collaborations can help brands churn out new models with new technologies to meet the fast-changing market landscape and customer preferences at better cost-efficiency. Collaborations also allow brands leeway to focus their resources on optimising market positioning to drive sales, while shifting the burden of engineering, production and product design to external ESO providers.

Hypercar Market

According to the latest industry report by Technavio, the global hypercar market has the potential to grow at a CAGR of 32.62% during 2021–2025.

The research agency forecasted the global hypercar market will experience a 16.83% year-on-year growth rate for 2021, with almost half of the growth originating from Europe.

Among others, the increase in racing events is notably driving the growth of the hypercar market. Meanwhile, the automotive industry is adopting new processes, materials and advanced technologies to optimize the overall automotive design and functions, which is also expected to accelerate the growing trend.

BUSINESS REVIEW

During the Period, riding on the accomplishments in its rebranding and transformation into a mobility technology solutions provider, the Group focused its business developments on three pillars, namely Engineering Service Outsourcing, Technology Development and Automobile Manufacturing.

Engineering Service Outsourcing

Completion of the Ideenion Acquisition

In February 2021, the Group completed the acquisition of the entire issued share capital of Ideenion, a German automotive engineering service provider. This has officially commenced the Group's foray into the provision of NEV solutions and services.

Ideenion Group principally engages in (i) the design, development and prototyping of internal combustion engine ("ICE") for vehicles and NEVs, including vehicle components and accessories for vehicles; (ii) the styling and design of vehicles and the development of software for vehicles; and (iii) the research and development of electronics and software for vehicles and the design, development and manufacturing of prototype electronic systems and components for vehicles.

Leveraging the expertise and experience of the team of Ideenion Group in the EV industry, the Group is further strengthening its ability in providing cutting edge technological solutions, and is exploiting substantial synergies with the Group's other investments in the mobility business.

The participation in ESO, a quantum value-driver in the next stage of the EV industry evolution lands the Group at the apex of the EV supply chain. The Group believes that:

- the ESO model plays a pivotal role in the EV industry evolution as it supports design, engineering and prototyping capabilities and helps brand owners expedite their product development cycles and achieve better cost-efficiency.

— In addition, the automobile brand owners, through engaging an ESO provider, can gain access to experienced talents, along with the knowledge of the latest technologies.

Further details of the Ideenion Acquisition are set out in the announcements of the Company dated 31 October 2019 and 10 February 2021 and the circular of the Company dated 24 December 2020.

Technology Development

The disruptive 800V SiC dual inverter

The 800V SiC dual inverter development project is undertaken by our subsidiary in Japan, and the first prototype production of the 800V SiC dual inverter was completed in mid-2020.

As compared to the current generation of 400V insulated gate bipolar transistor inverter which uses silicon technology, the newly developed 800V SiC dual inverter, coupled with a battery management system with solid state battery, can greatly reduce the heat output of the inverter, while reducing weight, size and time required for charging.

By incorporating this inverter into the Group's new EV system, the Group will be able to further optimize its core technology and expand its component business focusing on the development of new EV models and the supply of EV systems.

This next-generation dual inverter project constitutes the Group's landmark presence in the advanced auto component business development space.

Vehicle Control Units

The Group has also commenced the development of vehicle control units. This is an endeavor originated from our subsidiaries in Germany, which are engaged in the provision of automotive ESO to OEMs worldwide.

Automobile Manufacturing

More Apollo IEs delivered

One of the main pillars of our business is the development and sale of hypercars and its cross-branding licensing business under the “Apollo” brand. Priced at approximately US\$3 million each, Apollo limited the total number of production of the latest model Apollo Intensa Emozione (Apollo IE) to ten vehicles only. Since the official launch in November 2017, over 400 enquiries have been received from potential buyers, and all ten vehicles have been sold prior to the commencement of production, reflecting the strong demand for Apollo IE. The delivery of the model commenced in November 2019. During the Period, two Apollo IE vehicles were delivered.

Proposed cooperation with Shanghai Jinqiao

On 30 March 2021, the Group entered into a cooperation framework agreement (the “Cooperation Framework Agreement”) with Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (“Shanghai Jinqiao”, a company listed on the Shanghai Stock Exchange) in relation to a proposed cooperation on the production and research and development (“R&D”) of technology and products related to high performance electric sports cars and luxury EVs (the “Projects”) in the Shanghai Jinqiao Economic and Technological Development Zone situated in Pudong New Area, Shanghai, where the Group plans to establish a R&D center, a regional headquarter and production lines. On the other hand, Shanghai Jinqiao is expected to, *inter alia*, coordinate with the local governments and other relevant authorities, assist in applying for relevant industrial support policies and production and product access permits, and provide physical space for factory plants for the implementation of the Projects.

Further details of the Cooperation Framework Agreement are set out in the announcement of the Company dated 30 March 2021.

Milestone participation at the Third China International Import Expo 2020

In November 2020, marking the landing of its presence in the EV supply chain, the Group showcased its proprietary innovations at the Third China International Import Expo 2020 (“CIIE”) held in Shanghai which attracted participation by over 3,000 exhibitors from over 100 countries and regions. Visitors were overwhelmed by the breathtaking experience with Apollo Intensa Emozione Golden Dragon, which was built with extreme high-end specification and featured color changing paint. They were taken on the journey of experiencing the birth of a hypercar from idea initiation to implementation and to delivery of the final masterpiece.

Remarkably, new technologies of the Group including the Urban Delivery Vehicle, the Electric Mobility Scooter, the Autonomous Development Chassis and the 800V SiC dual inverter prototype co-developed with ROHM Co., Ltd were also unveiled for the first time at the CIIE. All the products showcased the Group’s capability in delivering mobility products and engineering services.

Other Corporate Developments

Enlarged shareholder base with a HK\$374 million issuance of new shares

During the Period, 812,596,000 Shares were allotted and issued to no less than six subscribers (the “Subscribers”) at a subscription price of HK\$0.46 per Share for a total cash consideration, before expenses, of approximately HK\$373,794,000 (the “Subscriptions”). The Subscriptions have strengthened the financial position of the Group and is expected to facilitate the Group’s efforts in exploring potential cooperation and future development of mobility businesses with different strategic partners.

Further details of the Subscriptions are set out in the announcement of the Company dated 7 December 2020.

EV Power welcomed investments by a listed global telco giant

In February 2021, EV Power Holding Limited (“EV Power”), an associate and a significant investment of the Group which is principally engaged in the provision of EV charging solutions in Hong Kong and Mainland China, completed the allotment and issue of certain preferred shares of EV Power to a Hong Kong-listed global telecommunications services provider (the “Allotment”).

The Group took the lead in investing in EV Power in 2018 as part of its transformation into a mobility solutions provider and remains as EV Power's largest shareholder since then. EV Power ranked third in the EV charging solutions industry in Mainland China in 2020 in terms of market coverage, covering 28 major cities in the country. It operates more than 6,000 charging stations and manages more than 23,000 charging piles.

With the increased popularity of EVs, EV charging equipment is bound to become the focus of development in the industry, conferring enormous growth potential. The Group considers the Allotment a good opportunity for EV Power to establish a strategic partnership with the new investor and raise additional funds to finance its business operations and expansions to further cement EV Power's foothold in the EV charging solutions industry.

Other Legacy Businesses

During the Period, the Group entered into an agreement to dispose of a subsidiary which mainly operates the business of property investment in Mainland China. The Directors believe that the disposal will enable the Group to avoid risks of uncertainty in its operations in the property market and the Group could focus its capital and management resources on further developing the Group's more promising mobility technology solutions businesses. The Group plans to continue gradually phasing out its legacy businesses as part of its rebranding exercise. Further details of the disposal are set out in the section headed "Material Acquisitions or Disposals" below.

PROSPECTS AND OUTLOOK

The global automobile market is recovering as the Covid-19 pandemic gradually comes under control with the gradual administration of vaccines to the general population. The pandemic is increasingly appearing to be a delay instead of a disruption to the EV industry evolution.

The recovery policies and specific policies developed and implemented by the governments of different countries relating to the EV industry are favorable and supportive to the market players. The Chinese Government has adopted measures to encourage cities to relax EV permit quotas, and has strengthened measures targeting NEVs. Whilst in the European Union, countries such as France and Germany have increasingly adopted supportive measures on the development of EVs.

Consequentially, traditional brand automobile manufacturers, having gone through the unexpected hard time when production lines were suspended and disrupted, are now more prepared to embrace the post-pandemic EV industry landscape.

The IEA has highlighted a list of credible factors supporting strong momentum for EV sales around the world. First, the regulatory frameworks are supportive of the EV industry. Many countries have policies in place and are strengthening them, including stringent carbon dioxide emission standards and zero-emission vehicle mandates. More than 20 countries have announced bans on future sales of conventional cars and mandated all new sales to be zero-emission vehicles after specific deadlines. Governments have also launched additional incentives to stimulate EV sales in light of the economic downturn. The Chinese Government has delayed the phasing-out of its subsidy scheme while some European countries have increased incentives for purchase of EVs. More EV models are expected to be launched in the market and EV battery costs are expected to continue to fall with the continuing advancements in power technologies.

As the domestic consumption power in Mainland China continues to grow, the development potential of the luxury car market is precipitating. Luxury cars priced at above RMB1 million are mainly imported fuel vehicles in Mainland China. With the acceleration of global automobile electrification, the electrification of luxury cars is expected to be an inevitable trend in the future. It is also expected that electric luxury vehicles will overwhelm the traditional fuel luxury vehicle market in the next five years, providing ample development potential for the segment.

Due to the re-balancing of the EV market and industry, opportunities arise for new vehicle brands which are able to adapt more rapidly than the established players to meet market needs. The market envisages parallel development of the businesses of new vehicle brands and established brands, both of which are increasingly leveraging support from ESO contractors.

The increasing hypercar demand due to the rising popularity of hypercars among automotive aficionados are expected to aid the growth of the hypercar market in the coming years. The active development of the automotive industry and the increased adoption of hypercar technology to improve driving performance further contribute to the increase in market demand. A better market understanding of the features of hypercars, such as shorter braking distance, agile handling, energy absorption technology, precise manoeuvring, crash management technology and others, is also supporting the growth of the hypercar market.

Looking ahead, the Group will continue to focus its efforts on the three-pillar business areas, namely ESO, Technology Development and Automobile Manufacturing.

With our German subsidiaries' experience and expertise in ESO, the Group will continue to expand our ESO business by generating recurring businesses with existing clients and acquiring new ones, from both the league of established automobile brands and the emerging group of other companies aspiring to enter into the EV industry.

The Group will also continue to develop its proprietary technologies to cement our first-mover advantage and leadership in the Technology Development segment. We are also working diligently on the launch and delivery of our new products. The Group, meanwhile, will continue to explore opportunities with partners to unlock potential from the changing product development and manufacturing landscape brought about by the advent of the EV industry evolution.

With the expectation of the gradual easing condition of the Covid-19 pandemic in Europe, the Group has scheduled to deliver another two Apollo IEs by the end of the financial year ending 30 September 2021. Meanwhile, the Apollo team has been working diligently on new models of both ICE hypercars and luxury electric sports cars, which are expected to be unveiled at the upcoming China International Import Expo in November 2021.

Following the execution of the Cooperation Framework Agreement, the Group will proactively explore opportunities to expand its business in the Chinese market, in particular the luxury EV market segment, leveraging the Group's premium position on the spectrum of ultra-high-end EV in order to meet the demand and requirements of automotive aficionados.

In a nutshell, the Group will continue to leverage its accomplishments in establishing footholds in the EV supply chain, reinforcing its presence in the ESO business which is believed to be evolving into being the chain's most value-accretive segment. The ESO model is expected to bring about an evolution in the manufacture of automobiles in the world, making it less capital and labour intensive and more customizable to fast-changing customer preferences. With its strong hypercar engineering backing from the Automobile Manufacturing division, the competitive ESO business unit and the high-potential EV technology supply business led by the next-generation 800v SiC dual inverter system, the Group is well-positioned to monetize these exciting and promising EV industry developments.

FINANCIAL REVIEW

For the six months ended 31 March 2021, the revenue of the Group decreased by approximately 6.2% to approximately HK\$241.1 million as compared to approximately HK\$256.9 million in the corresponding period of last year. The revenue comprised sales and distribution of vehicles and related components and provision of engineering services of approximately HK\$44.2 million (six months ended 31 March 2020: HK\$0.9 million), sales of jewellery products and watches of approximately HK\$177.7 million (six months ended 31 March 2020: HK\$215.1 million), and interest income from loan financing of approximately HK\$19.2 million (six months ended 31 March 2020: HK\$27.1 million). During the Period, sales and distribution of vehicles and provision of engineering services increased following the completions of the acquisition of Sino Partner Global Limited which owns the “Apollo” brand and the Ideenion Acquisition and business restructuring. Sales of jewellery products and watches decreased due to weak sentiment in the retail market. Income from loan financing also decreased due to deterioration in market conditions. In addition, no rental income was recorded for the Period as certain investment properties in Shenyang, the People’s Republic of China were expropriated by the local government as disclosed in the Company’s annual report for the year ended 30 September 2020.

The Group’s gross profit amounted to approximately HK\$61.2 million for the Period as compared to approximately HK\$89.8 million for the corresponding period of last year. The decrease in gross profit was mainly attributable to (i) the decrease in margin from sales of jewellery products and watches; and (ii) the decrease in reversal of write-down of inventories for the Period. As such, the gross profit margin decreased to approximately 25.4% for the Period (six months ended 31 March 2020: 35.0%).

General and administrative expenses increased by 124.8% to approximately HK\$207.3 million (six months ended 31 March 2020: HK\$92.2 million) mainly due to the equity-settled share option expense of approximately HK\$106.8 million (six months ended 31 March 2020: HK\$3.0 million) recorded during the Period.

Other gains/losses, net mainly comprised: (i) the fair value gains of approximately HK\$61.3 million (six months ended 31 March 2020: losses of approximately HK\$82.0 million) on financial assets at fair value through profit or loss due to the favourable stock market conditions; (ii) impairment of loans receivable, net of approximately HK\$18.3 million (six months ended 31 March 2020: HK\$10.1 million) due to the challenging market conditions; and (iii) fair value losses on contingent consideration payables of approximately HK\$18.2 million (six months ended 31 March 2020: Nil) arising from the Group’s acquisitions.

Overall, the loss attributable to owners of the Company for the Period slightly decreased to approximately HK\$201.8 million, as compared to approximately HK\$203.4 million for the corresponding period of last year due to the reasons as explained above.

Liquidity, Financial Resources and Gearing

As at 31 March 2021, the cash and cash equivalents of the Group amounted to approximately HK\$316.8 million (30 September 2020: HK\$184.5 million), which were mainly denominated in HK\$, Renminbi (“RMB”), Euro and Japanese Yen.

The total current assets and total current liabilities of the Group as at 31 March 2021 were approximately HK\$1,988.6 million and HK\$958.8 million, respectively (30 September 2020: total current assets of HK\$1,677.1 million and total current liabilities of HK\$869.9 million). The Group’s net current assets as at 31 March 2021 comprised of inventories of approximately HK\$155.6 million (30 September 2020: HK\$172.7 million), accounts receivable, prepayments, deposits and other receivables of approximately HK\$151.9 million (30 September 2020: HK\$639.0 million), loans receivable of approximately HK\$618.6 million (30 September 2020: HK\$678.1 million), financial assets at fair value through profit or loss of approximately HK\$1.4 million (30 September 2020: HK\$1.4 million) and assets of a disposal group classified as held for sale of approximately HK\$740.8 million (30 September 2020: Nil).

The Group’s inventory turnover, accounts receivable turnover and accounts payable turnover periods were 166 days, 36 days and 108 days, respectively. The turnover ratios were consistent and complied with the respective policies of the Group on credit terms granted to customers and credit terms obtained from suppliers.

During the Period, the Group financed its operations and investment activities mainly through a combination of (i) equity financing; (ii) operating cash inflows; and (iii) interest-bearing bank borrowings. As at 31 March 2021, equity attributable to owners of the Company amounted to approximately HK\$3,841.4 million (30 September 2020: HK\$3,607.2 million).

The Group's total interest-bearing bank borrowings and lease liabilities as at 31 March 2021 amounted to approximately HK\$68.9 million (30 September 2020: HK\$167.0 million) and approximately HK\$29.1 million (30 September 2020: HK\$23.2 million), respectively, which were mainly denominated in HK\$, RMB and Japanese Yen. The interest-bearing bank borrowings were mainly used for working capital purpose and all of which are at commercial lending variable interest rates.

The Group monitors capital on the basis of the gearing ratio. As at 31 March 2021, the gearing ratio was approximately 1.7% (30 September 2020: 4.5%). This ratio is calculated as total interest-bearing bank borrowings divided by total equity.

Capital Management

The Group's objectives when managing capital are to ensure that members of the Group will be able to continue as a going concern while maximizing the return to shareholders of the Company through the optimization of its debt and equity ratio. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Company will balance its overall capital structure through the payment of dividends and new share issues as it sees fit and appropriate.

During the six months ended 31 March 2021, the Group had not entered into any contract to hedge its financial interests.

Foreign Exchange Exposure

The Group's sales and purchases during the six months ended 31 March 2021 were mostly denominated in HK\$, EUR, Japanese Yen, RMB and United States dollars. The Group was exposed to certain foreign currency exchange risks, but it does not anticipate future currency exchange rate fluctuations to cause material operational difficulties or liquidity problems. Nevertheless, the Group continuously monitors its foreign exchange position and, when necessary, will hedge foreign exchange exposure arising from contractual commitments in sourcing products from overseas suppliers.

Event After the Reporting Period

No significant events affecting the Group have occurred subsequent to 31 March 2021.

Comparative Amounts

Certain comparative amounts have been reclassified to conform with the current period's presentation and disclosures. The Directors consider that such presentation would better reflect the financial performance and position of the Group.

Material Acquisitions or Disposals

As part of the Company's plan of scaling down its legacy businesses including (among others) property investment, on 30 March 2021, Ming Fung Investment Holdings Limited (the "Seller"), a direct wholly-owned subsidiary of the Company, and New Viewpoints Investment Limited (the "Buyer") entered into a sale and purchase agreement, pursuant to which the Seller agreed to sell, and the Buyer agreed to acquire, the entire issued share capital of Marvel Bloom Limited ("Marvel Bloom"), at a cash consideration of HK\$200 million (the "Disposal"). Marvel Bloom Group is principally engaged in property investment.

The completion of the Disposal is conditional upon fulfilment of several conditions. Further details of the Disposal are set out in the announcement of the Company dated 30 March 2021.

Save as disclosed above and in this announcement, there was no other material acquisition or disposal of subsidiaries, associates or joint ventures by the Group during the six months ended 31 March 2021.

Issue of Listed Securities of the Company and Use of Proceeds

On 7 December 2020, the Company and the Subscribers (who were either private individual investors or corporations with investment holding as their principal activities) entered into a subscription agreement (the "Subscription Agreement"), pursuant to which the Subscribers have agreed to subscribe for, and the Company has agreed to allot and issue to the Subscribers, an aggregate of 1,066,596,000 new Shares at a subscription price of HK\$0.46 per Share on the terms and subject to the conditions set out in the Subscription Agreement. One of the Subscribers failed to meet its obligations under the Subscription Agreement to proceed with completion, and accordingly, the corresponding subscription of 254,000,000 Shares by such Subscriber has been terminated. As at the end of the Period, 812,596,000 Shares have been allotted and issued to no less than six Subscribers at a total cash consideration, before expenses, of approximately HK\$373,794,000. Save for the terminated subscription, the aggregate nominal value of the Shares issued under the Subscription Agreement was HK\$81,259,600 and the net subscription price was approximately HK\$0.44 per

Share. The closing price per Share as quoted on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 4 December 2020, being the last trading day immediately prior to the date of the Subscription Agreement, was HK\$0.57. The total net proceeds from the Subscriptions were approximately HK\$357.8 million. The Company intended to use approximately 90% of the net proceeds, representing approximately HK\$322.0 million, for future potential acquisitions or investments in NEV-related businesses or technologies; and approximately 10% of the net proceeds, representing approximately HK\$35.8 million, for general working capital. As at the end of the Period, up to approximately 50.5% of the net proceeds had been utilised for investment in NEV-related business or technologies; and up to approximately 10% of the net proceeds had been utilised for general working capital. The remaining approximately 39.5% of the net proceeds are expected to be fully utilised on or before 31 December 2021 for the intended purpose as previously disclosed. The Directors were of the view that the Subscriptions would provide a good opportunity to raise additional funds to finance future investment opportunities to further cement the Group’s foothold in the NEV industry. Further details of the Subscriptions are set out in the announcement of the Company dated 7 December 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, there was no specific plan for material investments or capital assets as at 31 March 2021.

EMPLOYEES AND EMPLOYMENT POLICIES

As at 31 March 2021, the Group had 225 employees (30 September 2020: 204). The related employees’ costs for the Period (including directors’ remuneration) amounted to approximately HK\$110.7 million (six months ended 31 March 2020: HK\$45.5 million). In addition to basic salary, employees are entitled to other benefits including social insurance contributions, employee provident fund schemes and share option scheme of the Company. The remuneration of employees was in line with market trend and with reference to the market rate and the performance of individual employees, which are regularly reviewed each year.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s securities during the six months ended 31 March 2021.

CORPORATE GOVERNANCE

During the six months ended 31 March 2021, the Company has complied with the applicable code provisions set out in the Corporate Governance Code (the “Code”) as stated in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code (the “Model Code”) as set out in Appendix 10 of the Listing Rules regarding securities transactions by the Directors. Following specific enquiry by the Company, all Directors confirmed that they have fully complied with the Model Code during the six months ended 31 March 2021.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the Code.

As at the date of this announcement, the Audit Committee consists of the following members, all being independent non-executive Directors:

Mr. Teoh Chun Ming (*Chairman*)

Mr. Tam Ping Kuen, Daniel

Mr. Peter Edward Jackson

Mr. Charles Matthew Pecot III

The primary responsibilities of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Company’s financial controls, internal control and risk management systems, to review and monitor the effectiveness of the audit process and to perform other duties and responsibilities as assigned by the Board. The Audit Committee has reviewed and discussed the interim results of the Group for the six months ended 31 March 2021 and this announcement.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended 31 March 2021 (six months ended 31 March 2020: Nil).

APPRECIATION

On behalf of the Board, I would like to express our appreciation to all our management and staff members for their ongoing contribution and hard work. We would also like to thank our shareholders for their continuing support.

On behalf of the Board
Apollo Future Mobility Group Limited
Ho King Fung, Eric
Chairman

Hong Kong, 31 May 2021

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Ho King Fung, Eric (Chairman), Mr. Sung Kin Man and Mr. Mirko Konta; and four independent non-executive Directors, namely Mr. Tam Ping Kuen, Daniel, Mr. Teoh Chun Ming, Mr. Peter Edward Jackson and Mr. Charles Matthew Pecot III.