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 2022

The board (the "Board") of directors (the "Directors") of Apollo Future Mobility Group Limited ("AFMG" or 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 2022 (the "Period") together with the comparative figures for the corresponding period in 2021. The unaudited interim condensed consolidated financial information for the six months ended 31 March 2022 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 2022

		For the six months ended 31 March	
		2022	2021
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**463,361**	241,080
Cost of sales		**(329,673)**	(179,913)
Gross profit		**133,688**	61,167
Other income		**15,805**	3,568
Other gains, net		**46,979**	17,467
Selling and distribution expenses		**(14,639)**	(29,561)
General and administrative expenses		**(146,300)**	(207,255)
Research and development costs		**(24,079)**	(30,818)
Finance costs		**(6,953)**	(3,670)
Share of profits and losses of a joint venture and associates		**(2,694)**	(22,876)
PROFIT/(LOSS) BEFORE TAX	*5*	**1,807**	(211,978)
Income tax credit	*6*	**7,556**	4,631
PROFIT/(LOSS) FOR THE PERIOD		**9,363**	(207,347)
Attributable to:			
Owners of the Company		**5,763**	(201,818)
Non-controlling interests		**3,600**	(5,529)
		9,363	(207,347)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic		**HK0.07 cents**	HK(2.69) cents
Diluted		**HK0.01 cents**	HK(3.38) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2022

	For the six months ended 31 March	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	**9,363**	(207,347)
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	**(101,960)**	(28,217)
Share of other comprehensive income of a joint venture and an associate	**402**	2,080
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	**(101,558)**	(26,137)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(92,195)**	(233,484)
Attributable to:		
Owners of the Company	**(94,956)**	(230,360)
Non-controlling interests	**2,761**	(3,124)
	(92,195)	(233,484)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

	Notes	**31 March 2022** *HK$'000* **(Unaudited)**	30 September 2021 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**97,157**	103,323
Investment properties		**13,590**	12,825
Right-of-use assets		**95,916**	100,696
Goodwill		**2,045,992**	2,146,526
Other intangible assets		**284,094**	296,559
Interest in a joint venture		**26,987**	379
Interest in an associate		**–**	–
Financial assets at fair value through profit or loss		**1,041,846**	1,010,742
Loans receivable		**25,462**	52,442
Deferred tax assets		**26,488**	18,619
Deposits		**7,727**	7,675
Total non-current assets		**3,665,259**	3,749,786
CURRENT ASSETS			
Inventories		**176,461**	173,352
Accounts receivable	*9*	**106,234**	54,183
Contract assets		**19,776**	2,684
Loans receivable		**562,170**	652,062
Prepayments, deposits and other receivables		**324,889**	294,392
Financial assets at fair value through profit or loss		**988**	1,011
Tax recoverable		**3,237**	4,140
Cash and cash equivalents		**251,702**	150,053
Total current assets		**1,445,457**	1,331,877

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
AS AT 31 MARCH 2022

	Notes	31 March 2022 HK$'000 (Unaudited)	30 September 2021 HK$'000 (Audited)
CURRENT LIABILITIES			
Accounts payable	*10*	**154,820**	82,735
Other payables and accruals		**294,879**	312,651
Interest-bearing bank borrowings		**81,797**	105,371
Lease liabilities		**11,636**	11,312
Contingent consideration payable		**612,436**	742,882
Convertible bonds		**195,305**	–
Tax payable		**27,339**	22,644
Total current liabilities		**1,378,212**	1,277,595
NET CURRENT ASSETS		**67,245**	54,282
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,732,504**	3,804,068
NON-CURRENT LIABILITIES			
Other payables		**–**	10,808
Interest-bearing bank borrowings		**15,523**	17,343
Lease liabilities		**30,942**	36,458
Contingent consideration payable		**56,899**	53,460
Deferred tax liabilities		**40,320**	46,417
Total non-current liabilities		**143,684**	164,486
Net assets		**3,588,820**	3,639,582
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*11*	**798,279**	798,279
Reserves		**2,805,389**	2,860,418
		3,603,668	3,658,697
Non-controlling interests		**(14,848)**	(19,115)
Total equity		**3,588,820**	3,639,582

NOTES

FOR THE SIX MONTHS ENDED 31 MARCH 2022

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 2001–2002, 20/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Sheung Wan, Hong Kong.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information of the Group for the six months ended 31 March 2022 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.

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 2021. 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 applied in the preparation of the Group's annual consolidated financial statements for the year ended 30 September 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's unaudited interim condensed consolidated financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 31 March	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sales and distribution of vehicles and related components, provision of engineering services, provision of design, development and prototyping of vehicle components and licencing income	**171,843**	44,228
Sales of jewellery products, watches and other commodities	**272,390**	177,653
	444,233	221,881
Revenue from other sources		
Interest income from loan financing	**19,128**	19,199
	463,361	241,080

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 31 March	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**283,683**	179,713
Reversal of write-down of inventories to net realisable value	**(721)**	(2,339)
Fair value losses/(gains) on investment properties*	**(452)**	118
Fair value gains on financial assets at fair value through profit or loss, net*	**(26,517)**	(61,300)
Fair value losses/(gains) on contingent consideration payables, net*	**(127,007)**	18,175
Fair value losses on convertible bonds*	**31,505**	–
Impairment of loans receivable, net*	**60,814**	18,256
Impairment of accounts receivable, net*	**3,585**	5,542

* *Included in "Other gains, 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	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current:		
Hong Kong		
Charge for the period	**12,428**	–
Elsewhere		
Charge for the period	**444**	74
Overprovision in prior periods	**(7,063)**	–
Deferred	**(13,365)**	(4,705)
Total tax credit for the period	**(7,556)**	(4,631)

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 2022 (six months ended 31 March 2021: Nil).

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 7,982,768,716 (six months ended 31 March 2021: 7,510,482,805) in issue during the period, as adjusted to exclude the shares repurchased during the period.

The calculation of the diluted earnings per share amount for the six months ended 31 March 2022 is based on the profit 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 earnings per share amount for the six months ended 31 March 2022 is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive share options into ordinary shares. No adjustment has been made to the basic earnings per share amount presented for the six months ended 31 March 2022 in respect of a dilution arising from convertible bonds as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

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 basis 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.

The calculations of basic and diluted earnings/(loss) per share are based on:

Earnings/(loss)

	For the six months ended 31 March	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation	**5,763**	(201,818)
Effect of dilutive potential ordinary shares arising from adjustment to the share of loss of an associate	**(5,042)**	(52,375)
Profit/(loss) attributable to ordinary equity holders of the Company, used in the diluted earnings/(loss) per share calculation	**721**	(254,193)

Shares

	Number of shares for the six months ended 31 March	
	2022	2021
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	**7,982,768,716**	7,510,482,805
Effect of dilution — weighted average number of ordinary shares:		
Share options	**316,403**	–
Weighted average number of ordinary share in issue during the period used in the diluted earnings/(loss) per share calculation	**7,983,085,119**	7,510,482,805

9. ACCOUNTS RECEIVABLE

	31 March 2022	30 September 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Accounts receivable	**111,893**	56,257
Impairment	**(5,659)**	(2,074)
	106,234	54,183

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 2022	30 September 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**33,122**	42,209
31 to 60 days	**952**	1,324
61 to 90 days	**47,685**	6,876
Over 90 days	**24,475**	3,774
	106,234	54,183

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 2022 *HK$'000* **(Unaudited)**	30 September 2021 *HK$'000* (Audited)
Within 30 days	**79,718**	12,439
31 to 60 days	**16,397**	1,071
61 to 90 days	**49,767**	22
Over 90 days	**8,938**	69,203
	154,820	82,735

11. ISSUED CAPITAL

	31 March 2022 *HK$'000* **(Unaudited)**	30 September 2021 *HK$'000* (Audited)
Authorised:		
20,000,000,000 (30 September 2021: 10,000,000,000) ordinary shares of HK$0.1 each	**2,000,000**	1,000,000
Issued and fully paid:		
7,982,794,562 ordinary shares of HK$0.1 each	**798,279**	798,279

On 10 March 2022, an ordinary resolution was passed at the annual general meeting of the Company to approve the increase of the authorised share capital of the Company from HK$1,000,000,000 divided into 10,000,000,000 ordinary shares of HK$0.1 each to HK$2,000,000,000 divided into 20,000,000,000 ordinary shares of HK$0.1 each by the creation of an additional 10,000,000,000 ordinary shares.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Automobile market

New Energy Vehicles

The figures from an industry database EV-Volumes.com suggested that passenger electric vehicles ("EV(s)") sales for the first two months of 2022 grew as much as 94% year-on-year in the 15 key global markets, contrasting the flat growth rate for the overall automobile market. The growth was led by the People's Republic of China ("PRC" or "China"), followed by Europe and the United States (the "US"). According to the International Energy Agency ("IEA"), sales of EVs reached 6.6 million in 2021, accounting for almost 9% of global car sales. The growth in new energy vehicles ("NEV(s)") sales contrasted shrinking traditional internal combustion engine ("ICE") car sales, as supported by favorable government policies, more ambitious targets set by the automobile industry and more new EV models being launched to entice customers.

Meanwhile, the China Passenger Car Association (the "CPCA") released figures revealing that 3.31 million new energy passenger vehicles were sold in the PRC in 2021, accounting for a 53% share of the global market. The CPCA declared that the PRC regained its position as a global leader in NEV sales, after a brief correction in 2020. IEA indicated that despite the PRC government subsidies for NEV purchases had scaled back, the market continued to see growth supported by the extended range of small car offerings which served as an affordable entry point for new customers.

Hypercar

The global hypercar market is expected to grow at a compound annual growth rate ("CAGR") of 9.5% during 2022–2027 to reach a value of nearly US$1,114 million by 2026, according to Expert Market Research. The research agency attributed the rapid projected growth to new product impulses, increased penetration and rising popularity of hypercar among automotive consumers in the key markets. Italy, Germany and the United Kingdom, where some of the world's leading hypercar models are produced, are increasingly supporting growth of the market within Europe, while the US is expected to be a major market for hypercar products.

High-end vehicles and luxury vehicles

According to Mordor Intelligence, the global luxury car market, including various vehicle types such as hatchbacks, sedans, and SUVs; and drive types including ICE and EVs, was valued at approximately USD440 billion in 2021 and is forecasted to grow at a 5% CAGR between 2022 and 2027, reaching US$600 billion in 2027. The research agency attributed the growth in demand to increasing disposable incomes and living standard of consumers as well as more variety of luxury offerings in vehicles, with China being the market with the highest growth potential among the developing countries. The increasing adoption of electric luxury vehicles around the world has further aided the growth, as major luxury car OEMs release EV versions of their popular models to address growing customers' concerns on environment and fuel price inflation. Additionally, the advance in smart mobility technologies is expected to drive the sales of luxury EVs.

Engineering Service Outsourcing

As far as the automotive engineering services outsourcing ("ESO") segment is concerned, the Canada-based institution Precedence Research reported gaining momentum within the automotive industry as the practice of de-segregating services and operations from traditional vertically integrated automotive original equipment manufacturer ("OEM(s)") is in a trend that is generally referred to as de-verticalization. This trend sees the emergence of independent ESO providers taking on product manufacturing and design mandates from traditional automotive OEMs. These ESO providers are constituting a global supply base of engineering and manufacturing design knowhow, fueling the establishment of new and more cost-efficient, market-responsive assembly plants that spurred growth of the ESO segment on a regional basis. Benefiting from this momentum, the global automotive ESO market size was valued at US$170.25 billion in 2021 and is expected to hit US$360.22 billion by 2030, poised to grow at a CAGR of 8.7% during 2022 to 2030.

BUSINESS REVIEW

During the Period, the Group continued to transform into and reinforce its position as a leading mobility services provider by unveiling to the market its next generation concepts and achievements in technology R&D.

AFMG has also been excited to see the strategic benefits from WM Motor Holdings Limited ("WM Motor"), one of the leaders in China's mainstream smart EV market, being the single largest shareholder of the Company during the Period. Through WM Motor, a number of senior executives who are experienced in the automotive industry have been introduced to both the board level and the senior management level. Their deep industry expertise and wide market insights are crucial and beneficial to the shaping and execution of AFMG's strategic plan. With WM Motor as a key strategic manufacturing partner for AFMG, combined with the Group's accumulated experience in the sales and distribution of the Apollo brand in the high-end automobile market over the years and in-house proprietary technology, AFMG hopes to see its development accelerating with a more comprehensive product range highlighted by a line of luxury smart EV models to be launched both in China and globally using a targeted global marketing and distribution network that is innovative and customer-oriented.

Automotive Manufacturing

During the Period, the Group unveiled its brand new hypercar and luxury smart EV concepts, showcasing its iconic design and craftsmanship for the next generation of mobility technology innovation.

More Apollo IEs delivered

During the Period, a total of two Apollo Intensa Emozione ("Apollo IE") vehicles were delivered. The Group's flagship ICE hypercar model, the Apollo IE was born out of the relentless pursuit of perfection, featuring modular chassis design, increased safety, increased torsional rigidity, symmetrical design and weight reduction. The unveiling generated enormous excitment from fans to own a piece of this cutting-edge masterpiece that all ten units were sold out prior to commencement of production.

Launch of new models

Apollo Project EVO, a new project setting the benchmark for next-generation collectible ICE hypercar development, was unveiled in China International Import Expo ("CIIE 2021") in November 2021. The Apollo Project EVO features dominant, star-shaped daytime running lights that introduce a new fascia signature detail for the Apollo brand. The rear design celebrates 6 points of light illumination to communicate power and speed. A full suite of active aerodynamics includes a large deployable and adjustable rear spoiler, aero fins and triangular air-intakes that dominate the profile view of the vehicle. The Apollo Project EVO is a dramatically sculpted piece of design that continues to offer an intense and emotional visual experience.

The Group also announced its foray into the promising high-performance sports EV and luxury smart EV segments with the unveiling of its concept car Apollo EVision S in CIIE 2021. The four-seater setup of Apollo EVision S gives high usability for families and a striking appearance on the street. It demonstrates Apollo's trajectory towards new zero-emission powertrains. The Apollo EVision S is part of the Apollo EV series, essentially reflecting AFMG's solution to satisfy demand for performance in a luxury smart electric mobility package. The Apollo EV series will be a precursor to a broader and more extensive product development pipeline that the Group is developing, which will be accelerated with the manufacturing resources of WM Motor in the PRC in combination with Apollo's valuable experience and marketing resources accumulated over the years in the high-end automotive market.

Successful unveiling in CIIE 2021 and AFMG Technology Showcases

The Group maintained and reinforced its leading position in mobility market as it concluded its participation in the CIIE 2021 in November with a strong statement. Visitors and industry peers were presented pinnacles of AFMG's engineering and design excellences, embodied in the Apollo Project EVO, the Apollo EVision S, the Crate Powertrain, Apollo all-carbon monocoque chassis and the UME utility vehicle series. The positive sentiment was carried forward to Macau in the APOLLO FIRE AND ICE showcase and to Hong Kong in THE ULTIMATE SUSTAINABLE FUTURE OF MOBILITY showcase in November and December 2021 respectively. These two landmark showcases were successfully concluded and were attended by the investment community, media, key social elites and afficionados of extreme speed motorsport gearheads.

Own branded vehicles supported by the development of in-house proprietary technologies

The Group's R&D team continued to achieve breakthroughs in developing proprietary technologies and updating its existing technologies to support the R&D and technology advances of the Group's own branded vehicles. The Group has been designing and development vehicular platform offerings to be used in various types of vehicles worldwide. A platform includes a complete rolling chassis including crash structures, full powertrain, electronics and suspension. This constitutes the core of the Group's one-stop vehicular platform development business.

Licensing income from in-house proprietary technology

The Group reached its first vehicular platform licensing agreement with an Italian brand De Tomaso in May 2020 and received licensing income from them during the Period. This establishes a solid foundation for the Group to expand vehicular licensing arrangements with other OEMs which aspire to offer to their customers a piece of Apollo's cutting-edge future mobility technology offerings.

The Crate Powertrain

During the Period the Group continued its efforts in developing its proprietary technology, including the new generation SiC 800V inverter system which is in a development and testing stage. Considering the potential power efficiency this new inverter system can bring to the NEV ecosystem, the Group is exploring options for commercialization of these innovation through partnerships.

Engineering Service Outsourcing

Growing the ESO team

During the Period, AFMG has reinforced its positioning as a leading ESO provider covering the full range of automotive product innovation activities, from ideation, design, modeling, engineering, simulation, validation & testing, and prototype production to the delivery of pre-production prototypes. The Group further consolidated its engineering units in Ingolstadt, Germany with the new campus in Wolfsburg, UK team and our subsidiary GLM in Japan. The Group had been able to attract many industry experts seeking to provide their knowledge and experience to establish new horizons in the new energy vehicle segment following celebrated careers in major automotive OEMs. With this expansion, AFMG has been able to expand its services to new clients from both the renowned traditional automotive OEMs and emerging EV brands, helping them in the development of their own branded vehicles with the Group's engineering talent and proprietary technologies.

Other Corporate Developments

WM Motor became the largest shareholder of AFMG

During the Period, WM Motor, one of the leaders in China's mainstream smart EV market, became the largest shareholder of the Company with 28.5% equity interest in AFMG via a number of share exchange arrangements. WM Motor's established smart EV manufacturing facilities, in combination with the Group's accumulated experience in the sales and distribution of the Apollo brand in the high-end automobile market over the years and in-house proprietary technology, will facilitate AFMG's luxury smart EV businesses development.

Veteran Top Executives joining AFMG

AFMG welcomes joining of veteran top automotive executives to steer the Group's way to attain its corporate goals better.

In January 2022, Mr. Freeman Hui Shen, the founder and chief executive officer of WM Motor, was appointed by the Board as a non-executive Director and the Co-Chairman of the Board; and Mr. Joseph Lee, a seasoned investment banking professional with extensive experience in private equity and capital markets, was appointed by the Board as an executive Director and the Vice Chairman of the Board.

In February 2022, Mr. Qi Zhenggang, Marcus ("Mr. Qi"), the former project management office director of WM Motor and VP, R&D of GAC-NIO, was appointed as the General Manager of the Group; and Ms. Zheng Kaiyan, Enya, who has substantial accounting and finance experience in the automotive industry, was appointed as Senior Vice President, Finance of the Group. With effect from 1 April 2022, Mr. Qi was further appointed by the Board as an executive Director, and Ms. Hau Yan Hannah Lee, who has substantial experience in auditing, accounting, mergers and acquisition and initial public offerings, was appointed as an independent non-executive Director.

Mr. Wilfried Porth, who had been a member of the Board of Management of Daimler AG from 2009 to 2021, joined AFMG as a non-executive director with effect from 1 May 2022. Having served in various positions and different markets in the automotive industry for over 36 years, Mr. Porth will bring to the Group invaluable experience and industry insights.

These executives are senior professionals in the automotive or finance industry with rich experience in global traditional automotive OEMs and the emerging NEV players in China. Their participation in AFMG highlights the Group's determination in developing its mobility business in a highly strategic manner by appointing executives with specialty expertise in key functions.

Further details of the above-mentioned directorship appointments are set out in the announcements of the Company dated 13 January 2022, 31 March 2022 and 26 April 2022.

Other legacy businesses

The Group continues to explore options to scale down its legacy businesses further so as to focus its resources and management attention on the mobility business development, which will be more value-accretive and promising.

As disclosed in the section headed "Event After the Reporting Period" below, after the Period, the Group entered into an agreement to dispose of part of its watches wholesale business for a total cash consideration of HK$50 million. The Group intends to apply the proceeds from the disposal to further develop the design, development, manufacturing and sales of high performance hypercars and luxury smart EVs and growth of the mobility services businesses, and for general working capital purposes.

PROSPECTS AND OUTLOOK

The global automotive industry continues to rebound from the Pandemic with ongoing changes in business models brought about by increasing adoption of NEVs and advances in connectivity technologies. These changes have manifested challenges for traditional automotive OEMs, therefore opening the door for significant new opportunities for existing automotive OEMs, and new brands and participants.

EVs have proven to be by far the best performing drivetrain type in terms of relative growth in automotive industry. The sector will continue to see strong growth, with launches of Chinese brands in global markets adding vibrancy to the whole industry landscape. As pointed out by Brand Finance, major Chinese EV brands all launched their models in Europe in 2021. Traditional automotive OEMs are catching up with most of them having in place multi-billion-dollar investment plans in the pipeline to launch EV versions of their existing vehicle models.

Looking ahead, with the resumption of normal businesses in the post-Pandemic era, the Group plans to deliver more Apollo IEs in the second half of the financial year 2021/2022, allowing recognition of more presale revenue.

Having proven success in Apollo branding, automotive development, and technology R&D, the Group will continue to operate as an unique entity to further excel in these areas with the launch of new Apollo hypercar models targeting global markets, while leveraging WM Motor's manufacturing capacities to help realize production of luxury smart EV models in China, and rolling out products in global markets by capitalizing on the Group's accumulated experience in the sales and distribution of the Apollo brand in the high-end automobile market over the years and in-house proprietary technology.

Leveraging its expertise in automobile design and technological innovations supported by its teams in Germany, Japan and the United Kingdom, the Group will continue to execute its product development roadmap strategically. This will afford the Group an ambitious new model launch pipeline ranging from ICE hypercars to electric sports cars and luxury smart EV models in coming years.

Given the added manufacturing resources from WM Motor and the continuing organic growth of AFMG team, the Group is well positioned to capitalize on the swift post-Pandemic recovery of the mobility market to maximize value for shareholders.

FINANCIAL REVIEW

For the six months ended 31 March 2022, the revenue of the Group increased by approximately 92.2% to approximately HK$463.4 million as compared to approximately HK$241.1 million in the corresponding period of last year. The revenue comprised revenue from mobility services segment of approximately HK$171.8 million (six months ended 31 March 2021: HK$44.2 million), sales of jewellery products, watches and other commodities of approximately HK$272.4 million (six months ended 31 March 2021: HK$177.7 million), and interest income from loan financing of approximately HK$19.1 million (six months ended 31 March 2021: HK$19.2 million). During the Period, revenue from mobility services segment increased due to (i) the licensing income from the license of vehicular platform; and (ii) the revenue contributed by Ideenion Automobil AG ("Ideenion") and its subsidiaries following the completion of the acquisition of Ideenion in February 2021. Sales of jewellery products, watches and other commodities increased due to improved sentiment in the retail market. Income from loan financing remained stable.

The Group's gross profit amounted to approximately HK$133.7 million for the Period as compared to approximately HK$61.2 million for the corresponding period of last year. The gross profit margin increased to approximately 28.9% for the Period (six months ended 31 March 2021: 25.4%) mainly due to increase in licensing income.

General and administrative expenses decreased by 29.4% to approximately HK$146.3 million (six months ended 31 March 2021: HK$207.3 million) mainly due to the decrease in equity-settled share option expense of approximately HK$41.7 million (six months ended 31 March 2021: HK$106.8 million) recorded during the Period as less share options were granted during the Period as compared to the corresponding period of last year.

Other gains, net mainly comprised: (i) the fair value gains of approximately HK$26.5 million (six months ended 31 March 2021: HK$61.3 million) on financial assets at fair value through profit or loss; (ii) impairment of loans receivable, net of approximately HK$60.8 million (six months ended 31 March 2021: HK$18.3 million) due to the challenging market conditions; (iii) fair value gains on contingent consideration payables of approximately HK$127.0 million (six months ended 31 March 2021: losses of approximately HK$18.2 million) arising from the Group's acquisitions due to the decrease in share price of the Company; and (iv) fair value losses on convertible bonds of approximately HK$31.5 million (six months ended 31 March 2021: Nil).

Overall, the profit attributable to owners of the Company for the Period turned around to approximately HK$5.8 million from the loss of approximately HK$201.8 million for the corresponding period of last year due to the reasons as explained above.

Liquidity, Financial Resources and Gearing

As at 31 March 2022, the cash and cash equivalents of the Group amounted to approximately HK$251.7 million (30 September 2021: HK$150.1 million), which were mainly denominated in HK$, Renminbi ("RMB"), Euro and Japanese Yen.

The total current assets and total current liabilities of the Group as at 31 March 2022 were approximately HK$1,445.5 million and HK$1,378.2 million, respectively (30 September 2021: total current assets of HK$1,331.9 million and total current liabilities of HK$1,277.6 million). The Group's net current assets as at 31 March 2022 comprised of inventories of approximately HK$176.5 million (30 September 2021: HK$173.4 million), accounts receivable, prepayments, deposits and other receivables of approximately HK$431.1 million (30

September 2021: HK$348.6 million), loans receivable of approximately HK$562.2 million (30 September 2021: HK$652.1 million), contract assets of approximately HK$19.8 million (30 September 2021: HK$2.7 million); and financial assets at fair value through profit or loss of approximately HK$1.0 million (30 September 2021: HK$1.0 million).

The Group's inventory turnover, accounts receivable turnover and accounts payable turnover periods were 97 days, 32 days and 66 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 2022, equity attributable to owners of the Company amounted to approximately HK$3,603.7 million (30 September 2021: HK$3,658.7 million).

The Group's total interest-bearing bank borrowings and convertible bonds as at 31 March 2022 amounted to approximately HK$97.3 million (30 September 2021: HK$122.7 million) and approximately HK$195.3 million (30 September 2021: Nil), respectively, which were mainly denominated in HK$, 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 2022, the gearing ratio was approximately 2.7% (30 September 2021: 3.4%). 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 2022, 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 2022 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

On 24 May 2022, Ming Fung Investment Holdings Limited (the "Seller"), an indirect wholly-owned subsidiary of the Company, and State Energy Group International Assets Holdings Limited (the "Buyer") entered into an agreement, pursuant to which the Seller has conditionally agreed to sell and the Buyer has conditionally agreed to acquire the entire issued share capital of Sinoforce Group Limited ("Sinoforce" and together with its subsidiaries, "Sinoforce Group"), for a total cash consideration of HK$50,000,000 (the "Disposal"). As at the date of this announcement, Sinoforce is an indirect wholly-owned subsidiary of the Company. Upon completion of the Disposal, the Company will cease to hold any interest in Sinoforce Group and Sinoforce Group will cease to be subsidiaries of the Company. Sinoforce Group is principally engaged in wholesale of watches in Hong Kong, the PRC and Taiwan. Further details of the Disposal are set out in the announcement of the Company dated 24 May 2022.

Save as disclosed above, no significant events affecting the Group have occurred subsequent to 31 March 2022.

Material Acquisitions or Disposals

Save as disclosed in this announcement, there was no other material acquisition or disposal of subsidiaries, associates or joint ventures by the Group for the six months ended 31 March 2022.

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 2022.

EMPLOYEES AND EMPLOYMENT POLICIES

As at 31 March 2022, the Group had 203 employees (30 September 2021: 193). The related employees' costs for the Period (including directors' remuneration) amounted to approximately HK$111.2 million (six months ended 31 March 2021: HK$110.7 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

During the Period, the Company repurchased 672,000 shares of the Company (the "Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for an aggregate consideration (before transaction costs) of approximately HK$245,000 pursuant to the share repurchase mandate approved by the shareholders of the Company (the "Shareholders") at the annual general meeting held on 10 March 2022. The repurchase was effected as the Board considered that the then trading price of the Shares did not reflect their intrinsic value and business prospects of the Company and that it presented a good opportunity for the Company to repurchase Shares. The Board believed that a share repurchase would demonstrate the Company's confidence in its own business outlook and prospects and would, ultimately, benefit the Company and create value to the Shareholders. As at the date of this announcement, none of the repurchased Shares have been cancelled.

Details of the Shares repurchased during the Period are as follows:

Date of repurchase	**No. of Shares**	**Highest price paid per Share** *HK$*	**Lowest price paid per Share** *HK$*	**Aggregate consideration** *HK$'000*
25 March 2022	672,000	0.365	0.365	245

Save as disclosed above, 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 2022.

CORPORATE GOVERNANCE

During the six months ended 31 March 2022, 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 2022.

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:

Mr. Teoh Chun Ming *(Chairman)*
Mr. Freeman Hui Shen
Mr. Peter Edward Jackson
Mr. Charles Matthew Pecot III
Ms. Hau Yan Hannah Lee

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 2022 and this announcement.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended 31 March 2022 (six months ended 31 March 2021: 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, 30 May 2022

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Ho King Fung, Eric (Chairman), Mr. Joseph Lee (Vice Chairman), Mr. Qi Zhenggang and Mr. Mirko Konta; two non-executive Directors, namely Mr. Freeman Hui Shen (Co-Chairman) and Mr. Wilfried Porth; and four independent non-executive Directors, namely Mr. Teoh Chun Ming, Mr. Peter Edward Jackson, Mr. Charles Matthew Pecot III and Ms. Hau Yan Hannah Lee.