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apollo

APOLLO FUTURE MOBILITY GROUP LIMITED

APOLLO 智慧出行集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 860)

**DISCLOSABLE AND CONNECTED TRANSACTION
DISPOSAL OF THE ENTIRE INTEREST IN THE TARGET
COMPANY**

Financial Adviser to the Company



東興證券(香港)
DONGXING SECURITIES (HONG KONG)

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

ALTUS CAPITAL LIMITED

THE AGREEMENT

The Board is pleased to announce that on 30 December 2022 (after trading hours), the Seller (a wholly-owned subsidiary of the Company) entered into the Agreement with the Buyer, pursuant to which the Seller has conditionally agreed to sell and the Buyer has conditionally agreed to acquire the Sale Share, representing the entire issued share capital of the Target Company, for a total Consideration of HK\$408,000,000.

As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company. Upon Completion, the Company will cease to hold any interest in the Target Company and the Target Company will cease to be a subsidiary of the Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a disclosable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Furthermore, the Buyer is wholly owned by Mr. Shen, a non-executive Director and substantial shareholder of the Company, and is therefore a connected person of the Company. As such, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the terms of the Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Altus Capital Limited, being a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activity under the SFO, has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the terms of the Disposal. The appointment of Altus Capital Limited has been approved by the Independent Board Committee pursuant to Rule 13.39(6) of the Listing Rules. The letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders will be included in the circular.

GENERAL

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among other matters, the Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Disposal, the Agreement and the transactions contemplated thereunder; (ii) other information as required to be disclosed under the Listing Rules; and (iii) a notice of the EGM, will be despatched to the Shareholders on or before 26 January 2023.

Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction of the Conditions Precedent. Therefore, the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

INTRODUCTION

The Board is pleased to announce that on 30 December 2022 (after trading hours), the Seller (a wholly-owned subsidiary of the Company) entered into the Agreement with the Buyer, pursuant to which the Seller has conditionally agreed to sell and the Buyer has conditionally agreed to acquire the Sale Share, representing the entire issued share capital of the Target Company, for a total Consideration of HK\$408,000,000.

The principal terms of the Agreement are summarised as follows:

THE AGREEMENT

Date

30 December 2022 (after trading hours)

Parties

Buyer: Innosphi Company Limited

Seller: Ming Fung Investment Holdings Limited, a wholly-owned subsidiary of the Company

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Buyer is wholly owned by Mr. Shen, a non-executive Director and substantial shareholder of the Company, and is therefore a connected person of the Company.

Please refer to the sections headed “Information on the Group and the Target Company” and “Information on the Buyer”, respectively, in this announcement below for more details of the parties.

Assets to be disposed of

Pursuant to the Agreement, the Seller has conditionally agreed to sell, and the Buyer has conditionally agreed to acquire the Sale Share.

The Target Company is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company prior to the Completion. Please refer to the section headed “Information on the Group and the Target Company” in this announcement below for details of the Target Company.

Consideration

The total Consideration for the sale and purchase of the Sale Share is HK\$408,000,000, and shall be satisfied by the Buyer in the following manner:

- within 30 Business Days from the signing of the Agreement, a sum of HK\$50,000,000, being the Initial Deposit (which shall become part payment of the Initial Cash Payment at Completion), shall be paid in cash by the Buyer to the Seller or the Seller’s nominees;
- upon Completion, a sum of HK\$50,000,000, being the remaining balance of the Initial Cash Payment, shall be paid in cash by the Buyer to the Seller or the Seller’s nominees; and
- upon Completion, a sum of HK\$308,000,000, being the remaining balance of the Consideration, shall be satisfied by the Promissory Note (as detailed below).

The principal terms of the Promissory Note are summarised below:

Issuer:	The Buyer
Principal amount:	HK\$308,000,000
Maturity:	One year, with an option of the Buyer to extend one year
Interest:	An interest of 6.2% per annum, which is decided based on the average return per annum of the loans portfolio
Security:	Irrevocably and unconditionally guarantee by Best Model International Limited (a company with limited liability incorporated under the laws of British Virgin Islands and wholly owned by Mr. Shen) for the Buyer to perform its obligations in accordance with the Promissory Note
Early repayment:	The Buyer could, at its discretion, repay the Promissory Note in whole or in part prior to the maturity date and there will not be any premium over or discount to the payment obligations under the Promissory Note for any early repayment
Transferability:	The Promissory Note is not transferable or assignable unless with the prior consent of the holder or the issuer of the Promissory Note

The Consideration is determined based on arm's length negotiations between the parties to the Agreement with reference to, among other things: (a) the net carrying value of the Target Company based on its management accounts as at 30 September 2022 of approximately HK\$2.1 million; (b) the amount due from the Target Company to the Company as at 30 September 2022 of approximately HK\$405.4 million; (c) the business development and future prospects of the money lending business in Hong Kong; and (d) the business strategies and asset allocation preference of the Seller and the Buyer.

Conditions Precedent

Completion is subject to and conditional upon the following Conditions Precedent being satisfied or (in respect of paragraph (iv) only) waived (whether in full or in part, and with or without conditions) by the Buyer:

- (i) the transactions contemplated under the Agreement and the performance of the Seller's and Buyer's obligations under the Agreement in compliance with the Listing Rules and all other applicable laws and regulations;

- (ii) the passing of the ordinary resolutions by the Independent Shareholders at the EGM to be convened and held to approve the Agreement and the transactions contemplated thereunder;
- (iii) all other necessary regulatory consents and approvals required to be obtained on the part of the Seller, the Buyer and/or the Target Company in respect of the Agreement and the transactions contemplated thereunder having been obtained and such consents and approvals not having been revoked; and
- (iv) the warranties given by the Seller under the Agreement (other than the warranty on legal and beneficial ownership over the Sale Share) are true and correct in all material respects upon Completion, as if it is repeated at all times from the date of the Agreement to the Completion and the warranty given by the Seller in relation to the legal and beneficial ownership over the Sale Share are true, correct in all respects upon Completion, as if it is repeated at all times from the date of the Agreement to the Completion.

If all of the Conditions Precedent are not satisfied or otherwise waived by the Buyer on or before the Long Stop Date, the Agreement shall terminate and cease to have effect on the Long Stop Date except for certain provisions referred to in the Agreement in relation to definitions, costs and expenses, notices and governing law and any rights, remedies, obligations or liabilities of the parties to the Agreement that have accrued up to the date of termination, including the right to claim damages in respect of any antecedent breach.

On termination of the Agreement, the Seller shall refund the Initial Deposit in full without interest to the Buyer within 30 Business Days after the Long Stop Date.

Completion

Subject to the fulfilment (or, where applicable, waiver) of the Conditions Precedent, Completion shall take place on the Completion Date.

As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company. Upon Completion, the Company will cease to hold any interest in the Target Company and the Target Company will cease to be a subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As disclosed in the interim report of the Company for the twelve-month period ended 30 September 2022 (the “**Interim Report Disclosure**”), the Group has reinforced its position in the market as one of the leading mobility technology solutions providers and persisted in developing its proprietary future mobility technologies. The Group continues to pursue opportunities in the smart EVs adoption trend across the globe and strives to becoming one of the leaders in the mobility industry. As such, the Group plans to continue gradually phasing out its legacy businesses including the money lending business as part of its rebranding and restructuring exercise and to avoid risks of uncertainty in the operation and profitability of the Target Company.

It is expected the Disposal to be in the interests of the Company and the Shareholders as a whole for the following reasons:

- (i) consistent with the Group’s Interim Report Disclosure, it is actively exploring various options to scale down legacy businesses including the money lending business. The Target Company’s book of debts represents close to 75% of the total outstanding loan of the money lending business. The Company has established the money lending team and also a money lending committee to oversee this business which requires substantial amount of management focus on the risk control even while the Group’s business focus has changed in recent years to that of the future EV mobility platform. Moreover, considering the Group’s transition and significant investments into its new business focus, the need for active monitoring of the legacy money lending business is not an optimum use of management resources and is in some ways distracting since this business neither appeals to its strategic investors nor complements its new focus on the EV business. The Disposal allows a gradual redeployment of the Group’s human resources and internal financial resources to concentrate on the implementation of strategies to fully transform the Group into and reinforce its position as a leading mobility provider for next generation concepts and would be much more in tune with the investors’ expectations;
- (ii) in particular, during discussions with potential investors in the build out of the EV related research and development activities and production line for EVs, the Group received clear feedback that market participants including commercial lenders would prefer the Group to have a clearer platform focus;
- (iii) all these factors collectively strengthened the management’s resolve to proceed with the significant business restructuring to pursue a sharper focus on its renewed business mission statement;

- (iv) the Directors have also undertaken a stringent process to implement a price discovery process to ensure the terms offered are favourable to the Group. Under current market conditions, being driven by significant macroeconomics uncertainty, the Directors understand the difficulty in finding a willing buyer of the portfolio held by the Target Company without a significant discount to book value significantly exceeding that offered by the Buyer. The upfront cash payment of HK\$50 million in the form of the Initial Deposit by the Buyer prior to closing would also provide an immediate boost to financial resources of the Group further demonstrates Mr. Shen's confidence in the Group and the alignment of interests for mutual benefits;
- (v) detailed analysis on Mr. Shen's financial position also demonstrated solid financials and provide confidence in him delivering the same. Moreover, the Buyer has agreed to pay an interest rate of 6.2% on the Promissory Notes which would help defray potential loss of bargain from the portfolio under the Disposal while allowing the Group to make a clean exit from this business; and
- (vi) the Buyer, a connected party who is an associate of a substantial shareholder whose interests are fully aligned with that of the Group. Therefore, the Buyer is willing to assume the risks with a slight premium to the book value because of mutual benefits.

Weighing up the slight premium on the book value of the portfolio under the Disposal together with the benefits of (i) the Buyer assuming the risks of default by borrowers; (ii) the Group exiting from a significant portion of the legacy business in relation to money lending operations and improving its branding focus to meet investors' expectations; (iii) immediate boost to the Group internal financial resources to speedily implement its EV expansion business from the Initial Cash Payment of the consideration; (iv) the freeing up of management time and resources to focus on executing its future plans, and (v) the Independent Shareholders being advised by Independent Board Committee and the Independent Financial Adviser appointed on the terms of the Disposal, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser, and Mr. Shen who did not attend the relevant Board meeting) are of the view that the Disposal is in the interests of the Group, and the terms of the Agreement fair and reasonable and in the interests of the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

Subject to audit, it is expected that the Company will record a net gain on disposal of approximately HK\$0.5 million arising from the Disposal, being the difference between the amount of Consideration and (i) the net carrying value of approximately HK\$2.1 million of the Target Company as at 30 September 2022; and (ii) the amount due from the Target Company to the Company of approximately HK\$405.4 million as at 30 September 2022.

The Company intends to use the proceeds from the Disposal in further development of its design, development, manufacturing and sales of high performance hypercars and luxury smart EVs, provision of mobility technology solutions businesses, and as general working capital of the Group.

INFORMATION ON THE GROUP AND THE TARGET COMPANY

The Company is principally engaged in investment holding and the principal activities of its subsidiaries are (i) designing, developing, manufacturing and sales of high performance hypercars and luxury smart EVs and provision of mobility technology solutions; (ii) retailing and wholesale of jewellery products, watches and other commodities; and (iii) money lending.

The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in money lending in Hong Kong.

Set out below are certain financial information of the Target Company (prepared in accordance with Hong Kong Financial Reporting Standards) for each of the two financial years ended 30 September 2021 and 30 September 2022.

	Year ended 30 September 2021 <i>(HK\$'000)</i> (audited)	Year ended 30 September 2022 <i>(HK\$'000)</i> (unaudited)
Net gain/(loss) before taxation and extraordinary items	10,954	(23,026)
Net gain/(loss) after taxation and extraordinary items	8,618	(16,523)

As at 30 September 2022, the unaudited net asset value of the Target Company (prepared in accordance with Hong Kong Financial Reporting Standards) was approximately HK\$2.1 million.

INFORMATION ON THE BUYER

The Buyer is a company incorporated in Samoa with limited liability engaged in investment holding and wholly owned by Mr. Shen.

THE LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a disclosable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Furthermore, the Buyer is wholly owned by Mr. Shen, a non-executive Director and a substantial shareholder of the Company, and is therefore a connected person of the Company. As such, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the terms of the Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Altus Capital Limited, being a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activity under the SFO, has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the terms of the Disposal. The appointment of Altus Capital Limited has been approved by the Independent Board Committee pursuant to Rule 13.39(6) of the Listing Rules. The letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders will be included in the circular.

GENERAL

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among other matters, the Agreement and the transactions contemplated thereunder. In view of Mr. Shen's interest in the Disposal, he and his associates (including WM Motor Holdings Limited

(which is owned as to 30.82% by Mr. Shen together with Ms. Wang Lei, his spouse) which owns approximately 23.67% of the entire issued share capital of the Company as at the date of this announcement) shall abstain from voting in the EGM.

A circular containing, among other things, (i) further details of the Disposal, the Agreement and the transactions contemplated thereunder; (ii) other information as required to be disclosed under the Listing Rules; and (iii) a notice of the EGM, will be despatched to the Shareholders on or before 26 January 2023.

Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction of the condition precedent. Therefore, the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

DEFINITIONS

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

“Agreement”	the conditional sale and purchase agreement dated 30 December 2022 and entered into by the Seller and the Buyer in respect of the Disposal
“Board”	the board of Directors
“Business Day(s)”	a day other than a Saturday, Sunday or public holiday in Hong Kong when banks in Hong Kong are generally open for business and on which no typhoon signal no. 8 or above or the black rainstorm signal is hoisted in Hong Kong at any time after 9:00 a.m.
“Buyer”	Innosophi Company Limited, a company with limited liability incorporated in Samoa, and wholly owned by Mr. Shen, a non-executive Director and a substantial shareholder of the Company
“BVI”	the British Virgin Islands

“Company”	Apollo Future Mobility Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 860)
“Completion”	completion of the sale and purchase of the Sale Share in accordance with the terms of the Agreement
“Completion Date”	being the fifth Business Day after fulfilment or waiver of all the Conditions Precedent or such other date as the Seller and the Buyer may mutually agree in writing
“Condition(s) Precedent”	conditions precedent to Completion as set out in the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration in the amount of HK\$408,000,000 to be paid in cash by the Buyer to the Seller for the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Share by the Seller to the Buyer pursuant to the Agreement
“EGM”	an extraordinary general meeting of the Shareholders scheduled to be held for the purpose of considering, and if thought fit, approving, among other things, the Disposal
“EV(s)”	electric vehicles
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors to be formed for the purpose of giving recommendations to the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Altus Capital Limited, a licensed corporation to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activity under the SFO and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who, under the Listing Rules, are not required to abstain from voting for the resolutions approving the Disposal and the transactions contemplated thereunder, excluding Mr. Shen and his associates (including WM Motor Holdings Limited)
“Initial Cash Payment”	as part of the Consideration, the initial cash payment to be paid by the Buyer to the Seller upon Completion, being the sum of HK\$100,000,000
“Initial Deposit”	as part of the Initial Cash Payment, the initial deposit to be paid by the Buyer to the Seller, being the sum of HK\$50,000,000
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2023 or such other date the Seller and the Buyer may agree in writing
“Mr. Shen”	Mr. Freeman Hui Shen, a non-executive Director and a substantial shareholder of the Company
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

“Promissory Note”	the promissory note which shall be duly executed and issued by the Buyer and Mr. Shen (as guarantor to the Promissory Note) to the Seller for the purpose of settling part of the Consideration in the sum of HK\$308,000,000
“Sale Share”	1 fully-paid up share of the Target Company, representing the entire issued share capital of the Target Company
“Seller”	Ming Fung Investment Holdings Limited, a company with limited liability incorporated under the laws of BVI and a wholly-owned subsidiary of the Company
“Share(s)”	share(s) of the Company
“Shareholder(s)”	the holder(s) of the Shares
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Chance Achieve Limited (勝達行有限公司), a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned by the Company prior to the Completion
“%”	per cent.

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

Hong Kong, 30 December 2022

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Ho King Fung, Eric (Chairman), Mr. Joseph Lee (Vice Chairman) and Mr. Qi Zhenggang; 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.