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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 30 June 2023 (the "Period") together with the comparative figures for the six months ended 31 March 2022. The unaudited interim condensed consolidated financial information for the Period 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 30 JUNE 2023

	Notes	For the six months ended 30 June 2023 HK$'000 (Unaudited)	31 March 2022 HK$'000 (Unaudited)
REVENUE	4	**127,571**	463,361
Cost of sales		**(105,800)**	(329,673)
Gross profit		**21,771**	133,688
Other income		**762**	15,805
Other gains, net		**20,353**	46,979
Selling and distribution expenses		**(4,229)**	(14,639)
General and administrative expenses		**(84,043)**	(146,300)
Research and development costs		**(13,818)**	(24,079)
Finance costs		**(9,577)**	(6,953)
Share of profits and losses of:			
Joint venture		**(5,358)**	(7,258)
Associates		**(13,180)**	4,564
PROFIT/(LOSS) BEFORE TAX	5	**(87,319)**	1,807
Income tax credit	6	**4,881**	7,556
PROFIT/(LOSS) FOR THE PERIOD		**(82,438)**	9,363
Attributable to:			
Owners of the Company		**(77,404)**	5,763
Non-controlling interests		**(5,034)**	3,600
		(82,438)	9,363
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		**HK(0.81) cent**	HK0.07 cent
Diluted		**HK(0.92) cent**	HK0.01 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	For the six months ended	
	30 June	31 March
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	**(82,438)**	9,363
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	**(84,633)**	(101,960)
Reclassification adjustments for foreign operations disposed of during the period	**821**	–
	(83,812)	(101,960)
Share of other comprehensive income of a joint venture and an associate	**3,822**	402
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	**(79,990)**	(101,558)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(162,428)**	(92,195)
Attributable to:		
Owners of the Company	**(161,137)**	(94,956)
Non-controlling interests	**(1,291)**	2,761
	(162,428)	(92,195)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	**30 June 2023** *HK$'000* **(Unaudited)**	31 December 2022 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**72,520**	79,237
Investment properties		**12,121**	12,387
Right-of-use assets		**52,338**	56,893
Goodwill		**1,641,611**	1,740,594
Other intangible assets		**261,596**	251,959
Interest in a joint venture		**38,486**	6,808
Interest in an associate		**–**	–
Financial assets at fair value through profit or loss		**1,443,987**	1,415,199
Loans receivable		**33,809**	27,388
Deposits		**2,529**	2,544
Deferred tax assets		**954**	306
Total non-current assets		**3,559,951**	3,593,315
CURRENT ASSETS			
Inventories		**102,386**	90,605
Accounts receivable	*9*	**6,734**	39,443
Loans receivable		**167,610**	174,649
Prepayments, deposits and other receivables		**395,774**	312,914
Tax recoverable		**130**	203
Cash and cash equivalents		**117,203**	52,528
		789,837	670,342
Assets of disposal groups classified as held for sale	*11*	**476,161**	670,172
Total current assets		**1,265,998**	1,340,514

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
AS AT 30 JUNE 2023

	Notes	30 June 2023 HK$'000 (Unaudited)	31 December 2022 HK$'000 (Audited)
CURRENT LIABILITIES			
Accounts payable	*10*	**100,054**	107,718
Other payables and accruals		**235,651**	172,357
Interest-bearing bank borrowings		**69,131**	74,113
Lease liabilities		**4,079**	1,347
Convertible bonds		**159,218**	176,218
Tax payable		**17,010**	17,062
		585,143	548,815
Liabilities directly associated with the assets classified as held for sale	*11*	**95,536**	70,075
Total current liabilities		**680,679**	618,890
NET CURRENT ASSETS		**585,319**	721,624
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,145,270**	4,314,939
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**12,309**	14,063
Lease liabilities		**598**	4,942
Deferred tax liabilities		**34,028**	35,148
Total non-current liabilities		**46,935**	54,153
Net assets		**4,098,335**	4,260,786
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**961,310**	961,310
Reserves		**3,153,000**	3,314,137
		4,114,310	4,275,447
Non-controlling interests		**(15,975)**	(14,661)
Total equity		**4,098,335**	4,260,786

NOTES
FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

Pursuant to a resolution of the Board passed on 22 August 2022, the Company's financial year end date was changed from 30 September to 31 December with effect from 22 August 2022. Accordingly, the unaudited interim condensed consolidated financial information of the Group for the current period covers a period of six months from 1 January 2023 to 30 June 2023, and the comparative amounts presented covered a period of six months from 1 October 2021 to 31 March 2022.

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2023 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 fifteen months ended 31 December 2022. 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 fifteen months ended 31 December 2022, except for the adoption of the following new and 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 3	*Reference to the Conceptual Framework*
HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform — Pillar Two Model Rules*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2023. As there were no business combinations during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's unaudited interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(c) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(d) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 October 2021, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 October 2021, if any. The amendments did not have any impact on the financial position or performance of the Group.

(e) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

(f) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 October 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(g) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2023 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(h) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2023. As there was no modification or exchange of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended	
	30 June 2023	31 March 2022
	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	**3,604**	171,843
Sales of jewellery products, watches and other commodities	**103,245**	272,390
	106,849	444,233
Revenue from other sources		
Interest income from loan financing	**20,722**	19,128
	127,571	463,361

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended	
	30 June	31 March
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**103,230**	283,683
Reversal of write-down of inventories to net realisable value	**(730)**	(721)
Fair value gains on investment properties*	**(292)**	(452)
Fair value gains on financial assets at fair value through profit or loss, net*	**(35,891)**	(26,517)
Fair value gains on contingent consideration payables, net*	**–**	(127,007)
Fair value losses/(gains) on convertible bonds*	**(17,000)**	31,505
Impairment of loans receivable, net*	**30,662**	60,814
Impairment/(reversal of impairment) of accounts receivable, net*	**(48)**	3,585
Gain on disposal of subsidiaries*	**(4,497)**	–

* *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	
	30 June	31 March
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current:		
Hong Kong		
Charge for the period	**2,057**	12,428
Elsewhere		
Charge for the period	**–**	444
Underprovision/(overprovision) in prior periods	**38**	(7,063)
Deferred	**(6,976)**	(13,365)
Total tax credit for the period	**(4,881)**	(7,556)

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 30 June 2023 (six months ended 31 March 2022: Nil).

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

The calculation of the basic loss per share amount for the six months ended 30 June 2023 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 9,613,098,562 in issue during the period.

The calculation of the basic earnings per share amount for the six months ended 31 March 2022 is based on the profit for the six months ended 31 March 2022 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 7,982,768,716 in issue during the six months ended 31 March 2022, as adjusted to exclude the shares repurchased during the six months ended 31 March 2022.

The calculation of the diluted loss per share amount for the six months ended 30 June 2023 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 and the interest and fair value gains on the convertible bonds. The weighted average number of ordinary shares used in the calculation of the diluted loss per share amount for the six months ended 30 June 2023 is the number of ordinary shares in issue during the period, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares. No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2023 in respect of a dilution arising from share options as the impact of the share options outstanding had no dilutive effect on the basis loss per share amount presented.

The calculation of the diluted earnings per share amount for the six months ended 31 March 2022 is based on the profit for the six months ended 31 March 2022 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 six months ended 31 March 2022, 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 calculations of basic and diluted earnings/(loss) per share are based on:

Earnings/(loss)

	For the six months ended	
	30 June	31 March
	2023	2022
	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	**(77,404)**	5,763
Effect of dilutive potential ordinary shares arising from adjustment to the share of loss of an associate	**(4,422)**	(5,042)
Interest on convertible bonds	**7,351**	–
Fair value gains on convertible bonds	**(17,000)**	–
Profit/(loss) attributable to ordinary equity holders of the Company, used in the diluted earnings/(loss) per share calculation	**(91,475)**	721

Shares

	Number of shares for the six months ended	
	30 June	31 March
	2023	2022
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	**9,613,098,562**	7,982,768,716
Effect of dilution — weighted average number of ordinary shares:		
Share options	**–**	316,403
Convertible bonds	**297,818,182**	–
Weighted average number of ordinary shares in issue during the period used in the diluted earnings/(loss) per share calculation	**9,910,916,744**	7,983,085,119

9. ACCOUNTS RECEIVABLE

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Accounts receivable	**7,492**	40,265
Impairment	**(758)**	(822)
	6,734	39,443

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:

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**4,485**	28,725
31 to 60 days	**–**	589
61 to 90 days	**32**	8,095
Over 90 days	**2,217**	2,034
	6,734	39,443

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:

	30 June 2023 *HK$'000* **(Unaudited)**	31 December 2022 *HK$'000* (Audited)
Within 30 days	**41,929**	18,000
31 to 60 days	**689**	–
61 to 90 days	**–**	223
Over 90 days	**57,436**	89,495
	100,054	107,718

11. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

On 23 December 2022, the Company (as seller) entered into an agreement with Mobility Technology Group Inc. ("MTG"), pursuant to which the Company had conditionally agreed to sell and MTG had conditionally agreed to acquire the entire share capital of Ideenion Automobil AG (together with its subsidiaries, the "Ideenion Group") for a total consideration EUR15,000,000 (equivalent to approximately HK$124,350,000 as at 23 December 2022) (the "Ideenion Disposal"). Accordingly, the assets and liabilities of the Ideenion Group as at 31 December 2022 were classified as a disposal group held for sale. The completion of the Ideenion Disposal took place on 22 February 2023 and gain on disposal of subsidiaries of HK$4,497,000 was recognised during the six months ended 30 June 2023.

On 30 December 2022, Ming Fung Investment Holdings Limited ("Ming Fung"), an indirect wholly-owned subsidiary of the Company, (as seller) entered into an agreement with Innosophi Company Limited ("Innosophi"), pursuant to which Ming Fung had conditionally agreed to sell and Innosophi had conditionally agreed to acquire the entire share capital of Chance Achieve Limited ("Chance Achieve") for a total consideration of HK$408,000,000 (the "Chance Achieve Disposal"). Chance Achieve is principally engaged in money lending in Hong Kong. Innosophi is an investment holding company wholly-owned by Mr. Freeman Hui Shen, a non-executive director and a substantial shareholder of the Company. The completion of the Chance Achieve Disposal took place on 31 July 2023. Accordingly, the assets and liabilities of Chance Achieve as at 30 June 2023 and 31 December 2022 were classified as a disposal group held for sale.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Automobile Market

New Energy Vehicles

Electric vehicles ("EV(s)") play a critical role in the global effort to reduce carbon emissions from the road transport sector which accounts for over 15% of global energy-related emissions. In recent years, the EV market has experienced significant growth, with improvements in range, model availability, and performance, supported by national policies and incentives. In the first half of 2023, EV sales continue its strong growth. The International Energy Agency ("IEA") reports that over 2.3 million EVs were sold worldwide in the first quarter of 2023, representing a 25% year-on-year ("YoY") increase. The IEA further predicts that by the end of 2023, EV sales will reach 14 million units, with a 35% YoY increase. This trend is expected to accelerate in the year's second half, potentially capturing up to 18% of the overall car market. By 2030, EVs is set to constitute approximately 60% of total sales across the three key markets, namely China, the European Union, and the United States.

During the Period, China maintained its dominant position in the global market, accounting for nearly 60% of all new EV registrations worldwide. The country also represented over 50% of the total EVs on the world's roads. The China Association of Automobile Manufacturers reported that in the first half of 2023, new energy vehicles ("NEV(s)") continued their rapid growth, resulting in production and sales of 3.788 million units and 3.747 million units respectively, representing a YoY increase of 42.4% and 44.1%, respectively. China's success in the EV market results from over a decade-long commitment to promoting EV adoption, including sustained financial incentives for early adopters and non-financial measures such as the extensive deployment of charging infrastructure and strict registration policies for non-EVs. Moreover, China's recent announcement of a sizable tax break package of RMB520 billion over four years, aimed at supporting EVs, underscores the nation's unwavering dedication to sustainable transportation and advancing the growth of the automobile industry. This landmark tax incentive, the largest ever offered in the industry, coupled with ambitious marketing initiatives carried out by automakers, are expected to significantly bolster the sales growth in the NEV market, thereby reinforcing China's position as a global leader in the transition towards clean energy and sustainable transportation. The extension of the current NEV purchase tax exemption will also continue to solidify further China's dominance in the global automobile market and its role as a key player in the ongoing green energy revolution.

Hypercars

According to The Business Research Company, the hypercar market is currently experiencing remarkable growth. Its global market value has soared from US$26.54 billion in 2022 to US$37.76 billion in 2023, reflecting a compound annual growth rate ("CAGR") of 42.3%. The growing demand for hypercars can be attributed to the ultra-high net worth customers who seek the utmost performance, combined with the integration of cutting-edge technologies and extreme styling. Furthermore, the ascendance in purchasing power among consumers has led to an upsurge in demand for hypercars that offer an opulent and comfortable driving experience. The hypercar manufacturers' deployment of state-of-the-art materials, advanced engines, and technologies like executive rear seats, active suspension, and intelligent remote entry, further augment the growth prospects of the hypercar market. Market experts predict that by 2027, the hypercar market is projected to reach US$139.43 billion, maintaining a CAGR of 38.6%.

High-end Vehicles and Luxury Vehicles

Precedence Research, a global market research firm, reports that the estimated global market size for luxury EVs was US$160.14 billion in 2022, with a projected value of approximately US$839.57 billion by 2032. Luxury EVs offer a unique combination of luxury features and eco-friendliness, making them an attractive choice for consumers who are willing to pay a premium for both comfort and sustainability. Furthermore, governments around the world are taking steps to promote the use of EVs as a means of reducing carbon emissions and combating climate change. Many countries are offering tax incentives and subsidies to encourage consumers to switch to EVs, which is likely to drive demand for luxury EVs.

BUSINESS REVIEW

Apollo Hypercar

Launch of Apollo Project EVO

The Apollo Project EVO, unveiled at the China International Import Expo in November 2021, is a groundbreaking hypercar that builds upon the exceptional legacy of its critically acclaimed predecessor, the Apollo Intensa Emozione ("**Apollo IE**"). This new model represents a paradigm shift in the world of internal combustion engine hypercars, offering a level of innovation and performance that is truly unmatched.

The Apollo Project EVO boasts an advanced carbon monocoque, representing cutting-edge technology that enables a lightweight yet incredibly sturdy frame. This sophisticated engineering solution ensures that the vehicle's raw power and emotional aesthetics are matched by peerless handling and driving dynamics. The monocoque design also allows for unprecedented levels of safety and energy absorption, making the Apollo Project EVO a truly formidable hypercar. The Apollo Project EVO is not just a feat of engineering; it is also a work of art. Every curve and contour of the car has been painstakingly crafted to offer an intense and emotional visual experience, making the Apollo Project EVO a true masterpiece of automotive design.

The Apollo Project EVO is now under development, with pre-orders expected to open soon.

Appearance in Global Hypercar Events

During the Period, the Apollo IE and Apollo Project EVO were showcased at several major events around Europe, giving fans and potential clients the opportunity to see these impressive vehicles up close, which includes the test week in Guadix, Spain, followed by the MYLE — Munich's Mobility Festival in May, which attracted over 42,000 visitors from around the world and featured more than 51 exhibitors showcasing the latest in automotive technology. In June, the Apollo IE was showcased in Italy as part of the 3-day MIMO event, which drew over 60,000 visitors and featured several prestigious hypercar brands. The Apollo IE and Apollo Project EVO were also featured at the Le Mans Classic 2023, a historic and prestigious motorsports event that attracts spectators from around the world. Lastly, the Apollo IE participated in the 24 Hours of Spa in Belgium, one of the oldest and most prestigious endurance races in motorsports, which attracted some of the best drivers and teams from around the world.

Apollo EV

The highly anticipated launch of the AFMG EV brand is projected to take place in the near future, which is set to make a significant milestone in the realm of luxury EVs. The first AFMG luxury electric sports car is currently under development, boasting a range of impressive features that include hyper design, hyper personalization, and hyper technologies. The exterior design of the AFMG luxury electric sports car exudes a luxurious and sporty aesthetic, fully embodying the distinctive identity of the Apollo brand. The luxury EV's hyper personality is sure to captivate enthusiasts of cutting-edge automotive design, making it a true standout in the luxury EV market. With state-of-the-art technologies incorporated into its design, AFMG is setting a new standard for performance and connected driver-car experience, further solidifying our commitment to innovation and excellence.

Mobility Ecosystem

Collaboration with ShanghaiTech University in Smart Mobility Development

In early 2023, AFMG entered into a cooperation agreement with ShanghaiTech University to jointly explore new technologies and experiences related to future mobility in three key areas, which are Smart Cockpit Project, Smart Mobility Database and Smart Mobility Talent Cultivation. With the vision to unlock a more technological and intelligent future of mobility, the cooperation highlights the two parties' shared commitment to promoting education and scientific research development for smart mobility, while cultivating professional expertise in the field.

Strategic Cooperation with Greater Bay Technology

In March 2023, AFMG and Guangzhou Greater Bay Technology Co., Ltd, a battery charging solutions company developed by Guangzhou Automobile Group Co., Ltd. (Stock Code: 2238), signed a strategic cooperation agreement regarding the development and applications of eXtreme Fast Charging ("XFC") battery systems for luxury smart electric passenger cars. The parties are expected to draw on their expertise to enable charging pile resources sharing to interconnect each other's charging networks, creating a brand-new luxury charging experience for users and a luxury smart electric passenger car ecosystem in the new era.

Other Corporate Developments

Completion of Disposal of Ideenion Automobil AG

In order to enhance the operational efficiency of the Group and concentrate its capital and management resources on the development of its own-brand hypercars and luxury smart EVs businesses, the Group reached an agreement to dispose of the entire issued share capital of its wholly-owned subsidiary, Ideenion Automobil AG ("Ideenion" and together with its subsidiaries, "Ideenion Group"), a German automotive-engineering services provider, for a total cash consideration of EUR15 million. The completion of the Ideenion Disposal took place on 22 February 2023.

Further details of the disposal are set out in the section headed "Material Acquisitions or Disposals".

Continuous Disposal of Legacy Businesses

During the Period, the Group also reached an agreement to dispose of a portion of its money lending business for a total consideration of HK$408 million. By continuously divesting its legacy businesses, the Group can sharpen its focus and allocate resources towards capitalizing on opportunities in the smart mobility industry. This strategic move aligns with the Group's overarching objective of enhancing operational efficiency and positioning itself for long-term success in the smart mobility industry, while also demonstrating its commitment to making bold decisions that yield sustained success in the future.

Further details of the disposal are set out in the section headed "Material Acquisitions or Disposals".

Proposed Acquisition of WM Motor Global Investment Limited

In January 2023, the Group announced that its wholly owned subsidiary has entered into a conditional acquisition agreement with WM Motor Holdings Limited ("WM Motor") to acquire the entire issued share capital of WM Motor Global Investment Limited. Further details of the proposed acquisition are set out in the section headed "Material Acquisitions or Disposals".

PROSPECTS AND OUTLOOK

The growing concern over the negative effects of climate changes has propelled nations worldwide to embrace eco-friendlier modes of transportation and intensify the demand for EVs. According to Bloomberg, the adoption of EVs is expected to increase significantly in the coming years, with a projected 100 million passenger EVs on the roads by 2026. Sales of passenger EVs are expected to rise sharply, with estimates of 42 million units in 2030. Certain countries such as the Nordics, China, Germany, South Korea, France, and the UK are expected to have faster EV adoption rates. The outlook for the EV market is highly encouraging, with indications of significant growth and development in the years ahead.

Benefiting from a combination of favorable government policies, technological innovation, and a rapidly growing middle class, China has rapidly emerged as one of the world's top producers and consumers of EVs. The penetration rate of NEVs in China is projected to experience a steady upward trajectory, with vast potential for further growth driven by the rising disposable incomes and consumption upgrade. As the world is increasingly prioritizing sustainability and reducing carbon emissions, the automotive industry is undergoing a significant transition towards EVs. The innovative and unparalleled features of AFMG's brand new luxury electric sports car are poised to appeal to a growing segment of environmentally conscious consumers who seek high-performance. With the advent of the pre-order phase for this exceptional model, the Group's businesses are expected to capitalize on the momentum of the surging demand for EVs, cementing its position as one of the leaders in the luxury mobility market.

On the other hand, hypercars represent the very pinnacle of automotive achievement, embodying the finest in engineering, design, and performance are the preserve of a select few, catering to the most discerning and affluent customers who demand the very best in automotive luxury. The Apollo brand has emerged as a leading player in the hypercar segment, earning the admiration and loyalty of ultra-high-net-worth individuals around the globe. With its avant-garde styling and cutting-edge engineering, Apollo has established itself as a true innovator and disruptor in the hypercar market, pushing the boundaries of what is possible and setting new standards of excellence. The anticipated success of the Apollo Project EVO is likely to bolster the Group's reputation for cutting-edge technology and engineering expertise, further enhancing its competitive edge in the ever-evolving landscape of the automotive industry. Meanwhile, it provides a solid foundation for the Group's ambitious plans to develop its own branded luxury smart electric passenger cars, leveraging its unparalleled capabilities to create a new generation of vehicles that combine efficiency with intelligence and style. With its sights firmly set on the future, the Group is poised to redefine the automotive landscape, ushering in a new era of innovation, luxury, and sustainability.

The Group is well positioned to capitalize on the vast potential of the global EV market, leveraging its expertise in the development of high-performance, luxury smart electric passenger cars to meet the needs and aspirations of consumers. Looking forward, the Group is determined to establish itself as a leading player in the rapidly evolving landscape of the automotive industry, leveraging the unique appeal of the Apollo brand and the Group's technical expertise to unlock synergies in the development of hypercars and luxury EVs. Through strategic partnerships with key industry players, including Divergent Technologies, Inc. ("Divergent") and EV Power Holding Limited ("EV Power"), AFMG is creating a state-of-the-art mobility ecosystem that will transform smart mobility and establish a novel benchmark for the mobility of the forthcoming era.

FINANCIAL REVIEW

For the six months ended 30 June 2023, the revenue of the Group decreased by approximately 72.5% to approximately HK$127.6 million as compared to approximately HK$463.4 million in the last interim period. The revenue comprised revenue from mobility services segment of approximately HK$3.6 million (six months ended 31 March 2022: HK$171.8 million), sales of jewellery products, watches and other commodities of approximately HK$103.2 million (six months ended 31 March 2022: HK$272.4 million), and interest income from loan financing of approximately HK$20.7 million (six months ended 31 March 2022: HK$19.1 million). During the Period, revenue from mobility services segment decreased due to (i) the decrease in licensing income from the license of vehicular platform; (ii) the decrease in sales and distribution of vehicles as the next generation hypercar was still under development; and (iii) the disposal of Ideenion Automobil AG and its subsidiaries which was completed in February 2023. Sales of jewellery products, watches and other commodities decreased due to (i) the disposal of Sinoforce Group Limited which was completed in June 2022; and (ii) the unfavourable market conditions in the retail market. Income from loan financing remained stable during the Period.

The Group's gross profit amounted to approximately HK$21.8 million for the Period as compared to approximately HK$133.7 million for the last interim period. The gross profit margin decreased to approximately 17.1% for the Period (six months ended 31 March 2022: 28.9%) mainly due to the decrease in licensing income which contributed a high gross profit margin for the last interim period.

General and administrative expenses decreased by 42.6% to approximately HK$84.0 million (six months ended 31 March 2022: HK$146.3 million) mainly due to the absence of equity-settled share option expense (six months ended 31 March 2022: HK$41.7 million) for the Period as no share options were granted during the Period.

Other gains, net mainly comprised: (i) the fair value gains of approximately HK$35.9 million (six months ended 31 March 2022: HK$26.5 million) on financial assets at fair value through profit or loss; (ii) impairment of loans receivable, net of approximately HK$30.7 million (six months ended 31 March 2022: HK$60.8 million) due to the challenging market conditions; (iii) fair value gains on convertible bonds of approximately HK$17.0 million (six months ended 31 March 2022: fair value losses of approximately HK$31.5 million); and (iv) gain on disposal of subsidiaries of approximately HK$4.5 million (six months ended 31 March 2022: Nil). Other gains, net for the six months ended 31 March 2022 also included fair value gains on contingent consideration payables of approximately HK$127.0 million (six months ended 30 June 2023: Nil) arising from the Group's previous acquisitions.

Overall, the loss attributable to owners of the Company for the Period was approximately HK$77.4 million (six months ended 31 March 2022: profit of approximately HK$5.8 million) due to the reasons as explained above.

Significant Investments Held

Investment in EV Power

EV Power and its subsidiaries are principally engaged in the provision of convenient, safe and cost-effective EV charging solutions in Hong Kong and the PRC. EV Power is China's largest charging point operator in terms of number of charging sites in operation in residential areas. It operates over 7,600 charging sites and over 37,500 charging piles (or 70,500 charging bays), covering over 60 cities in the country. The Group's investment in EV Power represents an opportunity for the Group to create strong synergies with EV Power thereby completing the full value chain of mobility.

Investment in Divergent

Divergent is a company based in the United States of America which uses 3D metal printing technology through its patented hardware and software platform to conduct research, design, development and production of 3D printed vehicle structures. Not only does the patented digital manufacturing system radically reduces capital needs and design risks, it also reduces product cycle time and increases market response. The Group believes that the investment in Divergent will create synergies with the Group's mobility businesses by vastly improving existing factory economics of automobile original equipment manufacturers (OEMs).

Liquidity, Financial Resources and Gearing

As at 30 June 2023, the cash and cash equivalents of the Group amounted to approximately HK$117.2 million (31 December 2022: HK$52.5 million), which were mainly denominated in HK$, Renminbi ("RMB"), Euro and Japanese Yen.

The total current assets and total current liabilities of the Group as at 30 June 2023 were approximately HK$1,266.0 million and HK$680.7 million, respectively (31 December 2022: total current assets of HK$1,340.5 million and total current liabilities of HK$618.9 million). The Group's net current assets as at 30 June 2023 comprised of inventories of approximately HK$102.4 million (31 December 2022: HK$90.6 million), accounts receivable, prepayments, deposits and other receivables of approximately HK$402.5 million (31 December 2022: HK$352.4 million), loans receivable of approximately HK$167.6 million (31 December 2022: HK$174.6 million), and assets of disposal groups classified as held for sale of approximately HK$476.2 million (31 December 2022: HK$670.2 million).

The Group's inventory turnover, accounts receivable turnover and accounts payable turnover periods were 167 days, 33 days and 180 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) operating cash inflows; (ii) convertible bonds; and (iii) interest-bearing bank borrowings. As at 30 June 2023, equity attributable to owners of the Company amounted to approximately HK$4,114.3 million (31 December 2022: HK$4,275.4 million).

The Group's total interest-bearing bank borrowings and convertible bonds as at 30 June 2023 amounted to approximately HK$81.4 million (31 December 2022: HK$88.2 million) and approximately HK$159.2 million (31 December 2022: HK$176.2 million), respectively, which were mainly denominated in HK$, RMB and Japanese Yen. The interest-bearing bank borrowings and convertible bonds were mainly used for investment in business opportunities in order to expand into the mobility technology solutions and related business and for working capital purpose and all of which are at commercial lending interest rates.

The Group monitors capital on the basis of the gearing ratio. As at 30 June 2023, the gearing ratio was approximately 2.0% (31 December 2022: 2.1%). This ratio is calculated as total interest-bearing bank borrowings (other than convertible bonds) 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 30 June 2023, 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 30 June 2023 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.

Material Acquisitions or Disposals

Disposal of Ideenion

On 23 December 2022, the Company (as seller) entered into an agreement with Mobility Technology Group Inc. ("MTG"), pursuant to which the Company had conditionally agreed to sell and MTG had conditionally agreed to acquire the entire share capital of Ideenion, for a total consideration EUR15,000,000 (equivalent to approximately HK$124,350,000 as at 23 December 2022) (the "Ideenion Disposal"). Ideenion Group was principally engaged in the design, development and prototyping of internal combustion engine vehicles and NEVs, including vehicle components and accessories for vehicles. The completion of the Ideenion Disposal took place on 22 February 2023. Further details of the Ideenion Disposal are set out in the announcements of the Company dated 23 December 2022 and 3 January 2023.

Disposal of Chance Achieve

On 30 December 2022, Ming Fung Investment Holdings Limited ("Ming Fung") (as seller) entered into an agreement with Innosophi Company Limited ("Innosophi"), pursuant to which Ming Fung had conditionally agreed to sell and Innosophi had conditionally agreed to acquire the entire share capital of Chance Achieve Limited ("Chance Achieve"), for a total consideration of HK$408,000,000 (the "Chance Achieve Disposal"). Chance Achieve is principally engaged in money lending in Hong Kong. Innosophi is an investment holding company wholly owned by Mr. Freeman Hui Shen, a non-executive Director and a substantial shareholder of the Company. The Chance Achieve Disposal constituted (i) a disclosable transaction for the Company under Chapter 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); (ii) a connected transaction of the Company under Chapter 14A of the Listing Rules; and (iii) a special deal under Note 4 to Rule 25 of the Hong Kong Code on Takeovers and Mergers.

The Chance Achieve Disposal was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 18 July 2023, and the completion of the Chance Achieve Disposal took place on 31 July 2023.

Further details of the Chance Achieve Disposal are set out in the announcements of the Company dated 30 December 2022, 11 January 2023, 17 January 2023, 20 January 2023, 2 March 2023, 31 March 2023, 28 April 2023, 24 May 2023 and 28 May 2023 and the circular of the Company dated 27 June 2023.

The WM Acquisition

On 11 January 2023, Castle Riches Investments Limited ("Castle Riches"), a wholly-owned subsidiary of the Company, and WM Motor entered into an acquisition agreement, pursuant to which WM Motor conditionally agreed to sell and Castle Riches conditionally agreed to purchase the entire issued share capital of WM Motor Global Investment Limited (the "WM Acquisition"). The consideration for the WM Acquisition is US$2,023.27 million (equivalent to approximately HK$15,853.71 million), and will be settled by way of allotment and issue of consideration shares of the Company at the issue price of HK$0.55 per share. The WM Acquisition constitutes a very substantial acquisition and reverse takeover for the Company under the Listing Rules and the Company will be treated as if it were a new listing applicant under the Listing Rules. The WM Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Further details of the WM Acquisition and the ancillary matters including, among other things, the proposed placing of shares, whitewash waiver, interim financing, repayment of a shareholder's loan and increase in authorised share capital of the Company are set out in the announcements of the Company dated 11 January 2023, 17 January 2023, 2 February 2023, 2 March 2023, 31 March 2023, 28 April 2023, 24 May 2023, 28 May 2023 and 31 July 2023.

Event After the Reporting Period

Saved as disclosed in this announcement (in particular, the completion of the disposal of Chance Achieve which took place on 31 July 2023), no significant events affecting the Group have occurred subsequent to 30 June 2023.

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 30 June 2023.

EMPLOYEES AND EMPLOYMENT POLICIES

As at 30 June 2023, the Group had 68 employees (31 December 2022: 139). The related employees' costs for the Period (including directors' remuneration) amounted to approximately HK$41.3 million (six months ended 31 March 2022: HK$111.2 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 30 June 2023.

CORPORATE GOVERNANCE

During the six months ended 30 June 2023, the Company has complied with the applicable code provisions set out in the Corporate Governance Code (the "Code") as stated in Part 2 of Appendix 14 of 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 30 June 2023.

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 30 June 2023 and this announcement.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended 30 June 2023 (six months ended 31 March 2022: 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 August 2023

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.