apollo

# APOLLO FUTURE MOBILITY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 0860)

# 2020 INTERIM REPORT

# INDEPENDENT REVIEW REPORT

**To the board of directors of Apollo Future Mobility Group Limited**
**(formerly known as WE Solutions Limited)**
(Incorporated in the Cayman Islands with limited liability)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 29, which comprises the condensed consolidated statement of financial position of Apollo Future Mobility Group Limited (formerly known as WE Solutions Limited) (the "Company") and its subsidiaries as at 31 March 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Ernst & Young**
*Certified Public Accountants*
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
29 May 2020

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*FOR THE SIX MONTHS ENDED 31 MARCH 2020*

| | Notes | For the six months ended 31 March<br>**2020**<br>**HK$'000**<br>**(Unaudited)** | <br>2019<br>HK$'000<br>(Unaudited) |
|---|---|---|---|
| **REVENUE** | 5 | **256,908** | 281,128 |
| Cost of sales | | **(167,066)** | (194,100) |
| Gross profit | | **89,842** | 87,028 |
| Other income and gains, net | 5 | **7,747** | 107,319 |
| Selling and distribution expenses | | **(25,775)** | (24,474) |
| General and administrative expenses | | **(93,862)** | (73,930) |
| Research and development costs | | **(7,636)** | (5,353) |
| Other expenses, net | | **(219,375)** | (114,131) |
| Finance costs | 6 | **(3,686)** | (1,325) |
| Share of profits and losses of associates | | **1,476** | (8,896) |
| **LOSS BEFORE TAX** | 7 | **(251,269)** | (33,762) |
| Income tax credit | 8 | **22,487** | 8,111 |
| **LOSS FOR THE PERIOD** | | **(228,782)** | (25,651) |
| Attributable to: | | | |
| Owners of the Company | | **(203,370)** | (12,497) |
| Non-controlling interests | | **(25,412)** | (13,154) |
| | | **(228,782)** | (25,651) |
| LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | 10 | | |
| Basic | | **HK(2.84) cents** | HK(0.20) cent |
| Diluted | | **HK(2.84) cents** | HK(2.29) cents |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*FOR THE SIX MONTHS ENDED 31 MARCH 2020*

| | For the six months ended 31 March | |
|---|---|---|
| | **2020** | 2019 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| **LOSS FOR THE PERIOD** | **(228,782)** | (25,651) |
| **OTHER COMPREHENSIVE INCOME/(LOSS)** | | |
| Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **(28,359)** | 45,438 |
| Share of other comprehensive loss of an associate | **(1,144)** | (48) |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD | **(29,503)** | 45,390 |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD | **(258,285)** | 19,739 |
| Attributable to: | | |
| Owners of the Company | **(232,856)** | 30,806 |
| Non-controlling interests | **(25,429)** | (11,067) |
| | **(258,285)** | 19,739 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 MARCH 2020*

| | Notes | 31 March 2020 HK$'000 (Unaudited) | 30 September 2019 HK$'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **163,647** | 138,773 |
| Investment properties | | **283,611** | 358,026 |
| Right-of-use assets | 3 | **18,126** | – |
| Goodwill | | **1,943,352** | 1,363,308 |
| Other intangible assets | | **323,786** | 48,940 |
| Interest in a joint venture | | **387** | 387 |
| Interests in associates | | **19,421** | 19,089 |
| Financial assets at fair value through profit or loss | | **1,079,650** | 1,161,086 |
| Loans receivable | 11 | **186,186** | 225,392 |
| Deferred tax assets | | **5,299** | 3,768 |
| Deposits | | **2,922** | 44,093 |
| Total non-current assets | | **4,026,387** | 3,362,862 |
| **CURRENT ASSETS** | | | |
| Inventories | | **143,625** | 214,842 |
| Accounts receivable | 12 | **21,008** | 32,872 |
| Loans receivable | 11 | **568,200** | 473,778 |
| Prepayments, deposits and other receivables | | **86,853** | 19,380 |
| Financial assets at fair value through profit or loss | | **1,412** | 1,969 |
| Cash and cash equivalents | | **123,887** | 447,606 |
| Total current assets | | **944,985** | 1,190,447 |
| **CURRENT LIABILITIES** | | | |
| Accounts payable | 13 | **30,569** | 99,167 |
| Other payables and accruals | | **266,151** | 198,987 |
| Interest-bearing bank borrowings | | **108,272** | 104,678 |
| Lease liabilities | 3 | **5,155** | – |
| Tax payable | | **10,736** | 4,536 |
| Total current liabilities | | **420,883** | 407,368 |
| **NET CURRENT ASSETS** | | **524,102** | 783,079 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **4,550,489** | 4,145,941 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

*31 MARCH 2020*

| | Notes | 31 March 2020 HK$'000 (Unaudited) | 30 September 2019 HK$'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Other payables | | **18,458** | – |
| Interest-bearing bank borrowings | | **19,639** | 21,809 |
| Lease liabilities | 3 | **15,781** | – |
| Contingent consideration payable | | **596,439** | – |
| Deferred tax liabilities | | **91,196** | 80,467 |
| Total non-current liabilities | | **741,513** | 102,276 |
| Net assets | | **3,808,976** | 4,043,665 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued capital | 14 | **717,019** | 717,019 |
| Reserves | | **2,976,764** | 3,207,237 |
| | | **3,693,783** | 3,924,256 |
| **Non-controlling interests** | | **115,193** | 119,409 |
| Total equity | | **3,808,976** | 4,043,665 |

**Ho King Fung, Eric**
*Director*

**Sung Kin Man**
*Director*

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*FOR THE SIX MONTHS ENDED 31 MARCH 2020*

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital HK$'000 | Share premium account HK$'000 | Exchange fluctuation reserve HK$'000 | Reserve funds HK$'000 | Share option reserve HK$'000 | Other reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| At 1 October 2018 | 591,788 | 5,359,641 | (24,198) | 689 | 119,559 | 11 | (2,274,139) | 3,773,351 | 132,416 | 3,905,767 |
| Loss for the period | – | – | – | – | – | – | (12,497) | (12,497) | (13,154) | (25,651) |
| Other comprehensive income for the period: | | | | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | 43,351 | – | – | – | – | 43,351 | 2,087 | 45,438 |
| Share of other comprehensive loss of an associate | – | – | (48) | – | – | – | – | (48) | – | (48) |
| Total comprehensive income for the period | – | – | 43,303 | – | – | – | (12,497) | 30,806 | (11,067) | 19,739 |
| Dividend paid to a non-controlling shareholder | – | – | – | – | – | – | – | – | (781) | (781) |
| Issue of shares | 46,996 | 247,628 | – | – | – | – | – | 294,624 | – | 294,624 |
| Equity-settled share option arrangements | – | – | – | – | 1,562 | – | – | 1,562 | – | 1,562 |
| Transfer of share option reserve upon forfeiture of share options | – | – | – | – | (54,328) | – | 54,328 | – | – | – |
| At 31 March 2019 (unaudited) | 638,784 | 5,607,269 | 19,105 | 689 | 66,793 | 11 | (2,232,308) | 4,100,343 | 120,568 | 4,220,911 |
| At 1 October 2019 | 717,019 | 5,912,183 | 38,655 | 689 | 80,902 | 11 | (2,825,203) | 3,924,256 | 119,409 | 4,043,665 |
| Loss for the period | – | – | – | – | – | – | (203,370) | (203,370) | (25,412) | (228,782) |
| Other comprehensive loss for the period: | | | | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | (28,342) | – | – | – | – | (28,342) | (17) | (28,359) |
| Share of other comprehensive loss of an associate | – | – | (1,144) | – | – | – | – | (1,144) | – | (1,144) |
| Total comprehensive loss for the period | – | – | (29,486) | – | – | – | (203,370) | (232,856) | (25,429) | (258,285) |
| Acquisition of non-controlling interests | – | – | – | – | – | – | (652) | (652) | 142 | (510) |
| Acquisition of subsidiaries *(note 15)* | – | – | – | – | – | – | – | – | 21,969 | 21,969 |
| Dividend paid to a non-controlling shareholder | – | – | – | – | – | – | – | – | (898) | (898) |
| Equity-settled share option arrangements | – | – | – | – | 3,035 | – | – | 3,035 | – | 3,035 |
| As at 31 March 2020 (unaudited) | 717,019 | 5,912,183* | 9,169* | 689* | 83,937* | 11* | (3,029,225)* | 3,693,783 | 115,193 | 3,808,976 |

* These reserve accounts comprise the consolidated reserves of HK$2,976,764,000 (30 September 2019: HK$3,207,237,000) in the condensed consolidated statement of financial position.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*FOR THE SIX MONTHS ENDED 31 MARCH 2020*

| | Note | For the six months ended 31 March 2020 HK$'000 (Unaudited) | 2019 HK$'000 (Unaudited) |
|---|---|---|---|
| **NET CASH FLOWS USED IN OPERATING ACTIVITIES** | | **(194,506)** | (88,532) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest received | | **1,547** | 227 |
| Acquisition of subsidiaries | 15 | **(124,296)** | – |
| Purchases of items of property, plant and equipment | | **(514)** | (6,705) |
| Investments in associates | | **–** | (1,962) |
| Increase in financial assets at fair value through profit or loss | | **–** | (301,476) |
| Net cash flows used in investing activities | | **(123,263)** | (309,916) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Interest paid | | **(3,686)** | (1,325) |
| New bank borrowings | | **94,434** | 74,753 |
| Repayment of bank borrowings | | **(91,697)** | (40,252) |
| Acquisition of non-controlling interests | | **(510)** | – |
| Principal portion of lease payments | | **(3,001)** | – |
| Proceeds from issue of shares | | **–** | 294,624 |
| Dividend paid to a non-controlling shareholder | | **(898)** | (781) |
| Net cash flows from/(used in) financing activities | | **(5,358)** | 327,019 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(323,127)** | (71,429) |
| Cash and cash equivalents at beginning of period | | **447,606** | 326,221 |
| Effect of foreign exchange rate changes, net | | **(592)** | 9,243 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | **123,887** | 264,035 |
| **ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS** | | | |
| Cash and bank balances | | **123,887** | 264,035 |

# NOTES

*FOR THE SIX MONTHS ENDED 31 MARCH 2020*

## 1. CORPORATE INFORMATION

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

## 2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 31 March 2020 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 30 September 2019. 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 2019, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which are effective for the first time for the current period's unaudited interim condensed consolidated financial information.

| | |
|---|---|
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation* |
| HKFRS 16 | *Leases* |
| Amendments to HKAS 19 | *Plan Amendment, Curtailment or Settlement* |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures* |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments* |
| *Annual Improvements to HKFRSs 2015–2017 Cycle* | Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 |

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, and *Annual Improvements to HKFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's unaudited interim condensed consolidated financial information, the nature and the impact of the new and revised HKFRSs are described below:

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

### (a) HKFRS16

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 October 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of accumulated losses at 1 October 2019, and the comparative information for the year ended 30 September 2019/six months ended 31 March 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

**New definition of a lease**

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 October 2019.

**As a lessee — Leases previously classified as operating leases**

*Nature of the effect of adoption of HKFRS 16*

The Group has lease contracts for a retail shop, office premises and directors' quarters. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 October 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

### (a) HKFRS16 *(continued)*

**As a lessee — Leases previously classified as operating leases** *(continued)*

*Impacts on transition*

Lease liabilities at 1 October 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 October 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the condensed consolidated statement of financial position immediately before 1 October 2019. All these assets were assessed for any impairment based on HKAS 36 *Impairment of Assets* on that date. The Group elected to present the right-of-use assets separately in the condensed consolidated statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 October 2019. They continue to be measured at fair value applying HKAS 40 *Investment Property*.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 October 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 October 2019

**Financial impacts at 1 October 2019**

The impacts arising from the adoption of HKFRS 16 at 1 October 2019 are as follows:

| | **Increase/ (decrease)** *HK$'000* (Unaudited) |
|---|---|
| **Assets** | |
| Increase in right-of-use assets and increase in total assets | 23,218 |
| **Liabilities** | |
| Increase in lease liabilities | 25,337 |
| Decrease in other payables and accruals | (2,119) |
| Increase in total liabilities | 23,218 |

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

### (a) HKFRS16 *(continued)*

**Financial impacts at 1 October 2019** *(continued)*

The lease liabilities as at 1 October 2019 reconciled to the operating lease commitments as at 30 September 2019 are as follows:

| | *HK$'000* (Unaudited) |
|---|---|
| **Operating lease commitments as at 30 September 2019** | 33,597 |
| Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 30 September 2020 | (4,594) |
| | 29,003 |
| Weighted average incremental borrowing rate as at 1 October 2019 | 5% |
| **Discounted operating lease commitments and lease liabilities as at 1 October 2019** | 25,337 |

**Summary of new accounting policies**

The accounting policy for leases as disclosed in the annual consolidated financial statements for the year ended 30 September 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 October 2019:

**Right-of-use assets**

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

**Lease liabilities**

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

### (a) HKFRS16 *(continued)*

**Lease liabilities** *(continued)*

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

**Amounts recognised in the condensed consolidated statement of financial position and profit or loss**

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movements during the period are as follows:

| | Right-of-use assets — Leased properties *HK$'000* (Unaudited) | Lease liabilities *HK$'000* (Unaudited) |
|---|---|---|
| **As at 1 October 2019** | 23,218 | (25,337) |
| Depreciation charge | (3,692) | – |
| Lease modification | (1,396) | 1,396 |
| Interest expense | – | (602) |
| Payments | – | 3,603 |
| Exchange realignment | (4) | 4 |
| **As at 31 March 2020** | **18,126** | **(20,936)** |

The Group recognised rental expense from short-term leases of HK$3,365,000 and variable lease payments not based on index or rate of HK$1,057,000 for the six months ended 31 March 2020.

### (b) HK(IFRIC)-Int 23

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions. The Group determined that the interpretation did not have any significant impact on the financial position or performance of the Group.

## 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) Mobility technology solutions segment — design, development, manufacturing and sales of high performance hypercars, and provision of mobility technology solutions;

(b) Jewellery products and watches segment — retailing and wholesale of jewellery products and watches;

(c) Property investment segment — investments of properties; and

(d) Money lending segment — provision of loan finance.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that bank interest income, finance costs, impairment of other intangible assets, fair value losses on listed equity investments, equity-settled share-based payment expense as well as head office and corporate income and expenses are excluded from such measurement.

During the six months ended 31 March 2020, the Group changed the internal reporting structure for making decisions about resource allocation and performance assessment. The "Mining" and "Securities investment" operations are no longer reportable operating segments. Accordingly, the amounts previously reported under these reportable operating segments have been included in corporate and other unallocated income and expenses, net.

| | Mobility technology solutions HK$'000 | Jewellery products and watches HK$'000 | Property investment HK$'000 | Money lending HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Segment revenue:** | | | | | |
| Revenues from external customers | 935 | 215,080 | 13,797 | 27,096 | 256,908 |
| **Segment results** | (80,556) | (4,202) | (66,971) | 2,902 | (148,827) |
| **Reconciliation** | | | | | |
| Bank interest income | | | | | 1,547 |
| Corporate and other unallocated income and expenses, net | | | | | (100,303) |
| Finance costs | | | | | (3,686) |
| Loss before tax | | | | | (251,269) |

## 4. OPERATING SEGMENT INFORMATION *(continued)*

**For the six months ended 31 March 2019 (unaudited) (restated)**

| | Mobility technology solutions HK$'000 | Jewellery products and watches HK$'000 | Property investment HK$'000 | Money lending HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Segment revenue:** | | | | | |
| Revenues from external customers | 3,056 | 222,273 | 16,370 | 39,429 | 281,128 |
| **Segment results** | 94,995 | (6,712) | (41,046) | (21,955) | 25,282 |
| **Reconciliation** | | | | | |
| Bank interest income | | | | | 227 |
| Corporate and other unallocated income and expenses, net | | | | | (57,946) |
| Finance costs | | | | | (1,325) |
| Loss before tax | | | | | (33,762) |

## 5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

| | For the six months ended 31 March | |
|---|---|---|
| | **2020 HK$'000 (Unaudited)** | 2019 HK$'000 (Unaudited) |
| **Revenue from contracts with customers** | | |
| Sales of jewellery products and watches | **215,080** | 222,273 |
| Provision of engineering services | **935** | 3,056 |
| | **216,015** | 225,329 |
| **Revenue from other sources** | | |
| Interest income from loan financing | **27,096** | 39,429 |
| Rental income from investment properties | **13,797** | 16,370 |
| | **40,893** | 55,799 |
| | **256,908** | 281,128 |

## 5. REVENUE, OTHER INCOME AND GAINS, NET *(continued)*

**Revenue from contracts with customers**

**Disaggregated revenue information**

*For the six months ended 31 March 2020 (unaudited)*

| Segments | Mobility technology solutions HK$'000 | Jewellery products and watches HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Type of goods or services** | | | |
| Sales of jewellery products and watches | – | 215,080 | 215,080 |
| Provision of engineering services | 935 | – | 935 |
| Total revenue from contracts with customers | 935 | 215,080 | 216,015 |
| **Geographical markets** | | | |
| Hong Kong | – | 94,092 | 94,092 |
| Mainland China | – | 114,460 | 114,460 |
| Japan | 935 | – | 935 |
| Taiwan | – | 6,528 | 6,528 |
| Total revenue from contracts with customers | 935 | 215,080 | 216,015 |
| **Timing of revenue recognition** | | | |
| At a point of time | 935 | 215,080 | 216,015 |

*For the six months ended 31 March 2019 (unaudited)*

| Segments | Mobility technology solutions HK$'000 | Jewellery products and watches HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Type of goods or services** | | | |
| Sales of jewellery products and watches | – | 222,273 | 222,273 |
| Provision of engineering services | 3,056 | – | 3,056 |
| Total revenue from contracts with customers | 3,056 | 222,273 | 225,329 |
| **Geographical markets** | | | |
| Hong Kong | – | 68,579 | 68,579 |
| Mainland China | – | 143,684 | 143,684 |
| Japan | 3,056 | – | 3,056 |
| Taiwan | – | 10,010 | 10,010 |
| Total revenue from contracts with customers | 3,056 | 222,273 | 225,329 |
| **Timing of revenue recognition** | | | |
| At a point in time | 3,056 | 222,273 | 225,329 |

## 5. REVENUE, OTHER INCOME AND GAINS, NET *(continued)*

### Revenue from contracts with customers *(continued)*

### Disaggregated revenue information *(continued)*

An analysis of the other income and gains, net is as follows:

| | For the six months ended 31 March | |
|---|---|---|
| | **2020** | 2019 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| **Other income** | | |
| Bank interest income | **1,547** | 227 |
| Marketing subsidies | **3,668** | 12,714 |
| Others | **2,532** | 2,886 |
| | **7,747** | 15,827 |
| **Gains, net** | | |
| Foreign exchange gains, net | **–** | 3,392 |
| Fair value gains on financial assets at fair value through profit or loss, net | **–** | 88,100 |
| | **–** | 91,492 |
| | **7,747** | 107,319 |

## 6. FINANCE COSTS

| | For the six months ended 31 March | |
|---|---|---|
| | **2020** | 2019 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Interest on interest-bearing bank borrowings | **3,084** | 1,325 |
| Interest on lease liabilities | **602** | – |
| | **3,686** | 1,325 |

## 7. LOSS BEFORE TAX

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

| | For the six months ended 31 March | |
|---|---|---|
| | **2020** | 2019 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Cost of inventories sold | **173,698** | 182,740 |
| Write-down/(reversal of write-down) of inventories to net realisable value | **(10,748)** | 6,394 |
| Depreciation of property, plant and equipment | **4,134** | 3,489 |
| Depreciation of right-of-use assets | **3,692** | – |
| Impairment of loans receivable* | **10,108** | 49,788 |
| Impairment of other receivables* | **–** | 14,724 |
| Impairment of goodwill* | **29,555** | – |
| Impairment of other intangible assets* | **27,135** | 6,000 |
| Fair value losses/(gains) on financial assets at fair value through profit or loss, net* | **81,993** | (88,100) |
| Fair value losses on investment properties* | **70,097** | 41,632 |

* These gains are included in "Other income and gains, net" and losses are included in "Other expenses, net" on the face of the condensed consolidated statement of profit or loss.

## 8. 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 tax rate expected for the full financial year. The major components of income tax expense/(credit) in the condensed consolidated statement of profit or loss are:

| | For the six months ended 31 March | |
|---|---|---|
| | **2020** | 2019 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Current: | | |
| Hong Kong | | |
| Charge for the period | **3,690** | 2,136 |
| Underprovision/(overprovision) in prior periods | **(423)** | 1,109 |
| Elsewhere | | |
| Charge for the period | **123** | 1,235 |
| Overprovision in prior periods | **–** | (476) |
| Deferred | **(25,877)** | (12,115) |
| Total tax credit for the period | **(22,487)** | (8,111) |

## 9. 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 2020 (six months ended 31 March 2019: Nil).

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

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 7,170,198,562 (six months ended 31 March 2019: 6,220,833,963) in issue during the period.

The calculation of the diluted loss per share amount for the six months ended 31 March 2019 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 2019 is the number of ordinary shares in issue during the period, as used in the basic loss per share calculation, as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

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

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

**Loss**

| | For the six months ended 31 March | |
|---|---|---|
| | **2020<br>HK$'000<br>(Unaudited)** | 2019<br>HK$'000<br>(Unaudited) |
| Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation | **(203,370)** | (12,497) |
| Effect of dilutive potential ordinary shares arising from adjustment to the share of loss of an associate | **–** | (129,676) |
| Loss attributable to ordinary equity holders of the Company, used in the diluted loss per share calculation | **(203,370)** | (142,173) |

**Shares**

| | Number of shares<br>For the six months ended 31 March | |
|---|---|---|
| | **2020<br>(Unaudited)** | 2019<br>(Unaudited) |
| Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation | **7,170,198,562** | 6,220,833,963 |

## 11. LOANS RECEIVABLE

| | 31 March 2020 HK$'000 (Unaudited) | 30 September 2019 HK$'000 (Audited) |
|---|---|---|
| Loans receivable | **1,142,815** | 1,079,974 |
| Impairment | **(388,429)** | (380,804) |
| | **754,386** | 699,170 |
| Less: Portion classified as non-current assets | **(186,186)** | (225,392) |
| Portion classified as current assets | **568,200** | 473,778 |

The Group seeks to maintain strict control over its outstanding loans receivable so as to minimise credit risk. The granting of loans is subject to approval by management, whilst overdue balances are reviewed regularly for recoverability.

Loans receivable of the Group bear interest at rates ranging from 4.9% to 15.6% (30 September 2019: ranging from 4.75% to 15.6%) per annum. At 31 March 2020, certain loans receivable with aggregate carrying amounts of HK$194,515,000 (30 September 2019: HK$188,749,000) and HK$273,229,000 (30 September 2019: HK$368,535,000) were secured by the pledge of certain assets and personal guarantees provided by certain independent third parties, respectively.

## 12. ACCOUNTS RECEIVABLE

| | 31 March 2020 HK$'000 (Unaudited) | 30 September 2019 HK$'000 (Audited) |
|---|---|---|
| Accounts receivable | **21,856** | 33,722 |
| Impairment | **(848)** | (850) |
| | **21,008** | 32,872 |

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 management. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

## 12. ACCOUNTS RECEIVABLE *(continued)*

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 2020 HK$'000 (Unaudited) | 30 September 2019 HK$'000 (Audited) |
|---|---|---|
| Within 30 days | **8,930** | 27,279 |
| 31 to 60 days | **4,107** | 2,155 |
| 61 to 90 days | **6,470** | 557 |
| Over 90 days | **1,501** | 2,881 |
| | **21,008** | 32,872 |

## 13. 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 2020 HK$'000 (Unaudited) | 30 September 2019 HK$'000 (Audited) |
|---|---|---|
| Within 30 days | **13,063** | 29,349 |
| 31 to 60 days | **11,143** | 35,667 |
| 61 to 90 days | **2,415** | 18,382 |
| Over 90 days | **3,948** | 15,769 |
| | **30,569** | 99,167 |

## 14. ISSUED CAPITAL

| | 31 March 2020 HK$'000 (Unaudited) | 30 September 2019 HK$'000 (Audited) |
|---|---|---|
| Authorised: | | |
| 10,000,000,000 ordinary shares of HK$0.1 each | **1,000,000** | 1,000,000 |
| Issued and fully paid: | | |
| 7,170,198,562 (30 September 2019: 7,170,198,562) ordinary shares of HK$0.1 each | **717,019** | 717,019 |

## 15. BUSINESS COMBINATION

The Group entered into a sale and purchase agreement on 16 May 2019 and supplemental agreements on 15 August 2019 and 3 January 2020 with Ideal Team Ventures Limited ("Ideal Team"), pursuant to which, the Group conditionally agreed to purchase and Ideal Team conditionally agreed to sell 86.06% of the issued share capital of Sino Partner Global Limited ("Apollo"), which is principally engaged in the design, development, manufacturing and sale of high performance hypercars under the brand "Apollo" worldwide (the "Apollo Acquisition"). The Apollo Acquisition was completed on 17 March 2020.

The consideration for the Apollo Acquisition comprises:

(a) cash consideration of HK$172,000,000; and

(b) consideration shares of up to 1,655,232,000 ordinary shares of the Company to be allotted and issued by the Company to Ideal Team (the "Consideration Shares"). In terms of the number of the Consideration Shares to be allotted and issued, it shall be determined based on a calculation of the consolidated earnings before interests and taxes ("EBIT") of Apollo and its subsidiaries (the "Apollo Group") as shown in the audited consolidated financial statements of the Apollo Group for the year ending 31 December 2021 less the consolidated loss before interests and taxes of the Apollo Group (if any) as shown in the audited consolidated financial statements of the Apollo Group for the years ended/ending 31 December 2019 and 31 December 2020 to be prepared in accordance with HKFRSs ("EBIT Calculation"). The number of Consideration Shares to be issued to Ideal Team is as follows:

   (i) if the EBIT Calculation is more than or equal to EUR1,890,000 but less than EUR3,780,000, then 66,432,000 Consideration Shares;

   (ii) if the EBIT Calculation is more than or equal to EUR3,780,000 but less than EUR5,670,000, then 463,632,000 Consideration Shares;

   (iii) if the EBIT Calculation is more than or equal to EUR5,670,000 but less than EUR7,560,000, then 860,832,000 Consideration Shares;

   (iv) if the EBIT Calculation is more than or equal to EUR7,560,000 but less than EUR9,450,000, then 1,258,032,000 Consideration Shares; or

   (v) if the EBIT Calculation is more than or equal to EUR9,450,000, then 1,655,232,000 Consideration Shares.

The Group has elected to measure the non-controlling interests in the Apollo Group at the non-controlling interests' proportionate share of the Apollo Group's identifiable net assets.

## 15. BUSINESS COMBINATION *(continued)*

The fair values of the considerations transferred, the identifiable net assets and the carrying amount of goodwill as at the date of acquisition which are provisional amounts and are subject to the finalisation of the initial accounting for the business combination, were as follows.

| | Provisional fair value recognised on acquisition HK$'000 (Unaudited) |
|---|---|
| Property, plant and equipment | 28,511 |
| Other intangible assets | 301,849 |
| Inventories | 23,936 |
| Accounts receivable | 2,888 |
| Prepayments, deposits and other receivables | 14,875 |
| Cash and cash equivalents | 7,704 |
| Accounts payable | (9,514) |
| Other payables and accruals | (118,985) |
| Interest-bearing other borrowings | (57,200) |
| Tax payable | (1,237) |
| Deferred tax liabilities | (35,227) |
| Total identifiable net assets at provisional fair value | 157,600 |
| Non-controlling interest | (21,969) |
| Goodwill on acquisition | 632,808 |
| | 768,439 |
| Satisfied by: | |
| Cash | 172,000 |
| Contingent consideration | 596,439 |
| | 768,439 |

Goodwill arose in the acquisition of the Apollo Group because the considerations paid for the acquisition effectively included, inter alia, amounts in relation to the benefits of expected synergies from combining the respective operations of the Apollo Group and the Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

## 15. BUSINESS COMBINATION *(continued)*

As part of the purchase agreement, contingent consideration shares is payable, which is dependent on the EBIT Calculation. The initial amount recognised was HK$596,439,000 which was determined using a scenario analysis and is within Level 3 fair value measurement. The Consideration Shares shall be allotted and issued by the Company to Ideal Team as soon as practicable after the finalisation of the audited consolidated financial statements of the Apollo Group for the year ending 31 December 2021, which is currently expected to be no later than the end of April 2022.

A significant unobservable valuation input for the fair value measurement of contingent consideration is as follows:

| | |
|---|---|
| EBIT Calculation | HK$16,117,000 to HK$80,585,000 |

A significant decrease in EBIT Calculation would result in significant decrease in the fair value of the contingent consideration payable.

The Group incurred transaction costs of HK$6,230,000 for this acquisition. These transaction costs have been expensed and are included in general and administrative expenses in the condensed consolidated statement of profit or loss.

An analysis of the cash flows in respect of the Apollo Acquisition is as follows:

| | **HK$'000 (Unaudited)** |
|---|---|
| Cash consideration | **(172,000)** |
| Decrease in deposit paid for acquisition of subsidiaries | **40,000** |
| Cash and cash equivalents acquired | **7,704** |
| Net outflow of cash and cash equivalents included in cash flows used in investing activities | **(124,296)** |
| Transaction costs of the acquisition included in cash flows from operating activities | **(6,230)** |
| | **(130,526)** |

## 16. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had contingent liabilities not provided for in the unaudited interim condensed consolidated financial information in respect of certain corporate guarantees given by a subsidiary of the Company (the "Subsidiary") to certain property purchasers who purchased properties from a former investee of the Subsidiary to the extent of HK$52,500,000 (30 September 2019: HK$53,300,000) in connection with certain property transactions and other arrangements of the former investee in prior years.

## 17. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

| | 31 March 2020 HK$'000 (Unaudited) | 30 September 2019 HK$'000 (Audited) |
|---|---|---|
| Contracted, but not provided for: | | |
| Capital contributions to joint ventures | **361,577** | 33,454 |

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 March 2020 and 30 September 2019, the carrying amounts of the Group's financial assets and financial liabilities reasonably approximated to their fair values.

Management has assessed that the fair values of cash and cash equivalents, accounts receivable, accounts payable, the current portions of loans receivable, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and interest-bearing bank borrowings reasonably approximate to their carrying amounts largely due to the short term maturities of these instruments or the effect of discounting is not material.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values of listed equity investments are based on quoted market prices. The following methods and assumptions were used to estimate the fair values of the Group's other financial instruments.

The fair values of the non-current portions of loans receivable, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. In the opinion of the directors, the fair values of these financial instruments reasonably approximate to their carrying amounts.

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis:

| | Valuation technique | Significant unobservable input | Range or value | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Unlisted investments | Implied company transaction | Risk-free rate | 0.28% to 0.46% (30 September 2019: 1.59% to 1.61%) | 1 percentage point increase in risk-free rate would result in decrease in fair value by HK$8,875,000 (30 September 2019: HK$8,144,000) |
| | | Volatility | 51.57% to 52.39% (30 September 2019: 45.45% to 59.18%) | 10% increase in volatility rate would result in decrease in fair value by HK$11,491,000 (30 September 2019: HK$2,662,000) |
| Convertible note | Scenario analysis | Risk-free rate | 0.46% to 1.54% (30 September 2019: 1.42% to 1.62%) | 1 percentage point increase in risk-free rate would result in decrease in fair value by HK$1,005,000 (30 September 2019: HK$992,000) |
| | | Volatility | 50.8% to 52.4% (30 September 2019: 43.96% to 48.64%) | 10% increase in volatility rate would result in decrease in fair value by HK$4,800,000 (30 September 2019: HK$1,667,000) |
| Unlisted options | Scenario analysis | Discount rate | 35% (30 September 2019: 35%) | 10% increase in discount rate would result in decrease in fair value by HK$775,000 (30 September 2019: HK$1,368,000) |
| | | Earning multiples | 11.8% (30 September 2019: 13%) | 10% decrease in earnings multiple would result in decrease in fair value by HK$1,550,000 (30 September 2019: HK$1,048,000) |
| | Binomial option pricing model | Volatility | 33.2% (30 September 2019: 27%) | 10% decrease in volatility rate would result in decrease in fair value by HK$1,517,000 (30 September 2019: HK$1,319,000) |
| | | Risk-free rate | 0.51% (30 September 2019: 1.64%) | 1 percentage point decrease in risk-free rate would result in decrease in fair value by HK$865,000 (30 September 2019: HK$1,105,000) |

Details of significant unobservable input to the valuation of the contingent consideration payable is set out in note 15 to the unaudited interim condensed consolidated financial statements.

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

**Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

*Assets measured at fair value:*

**As at 31 March 2020**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) HK$'000 (Unaudited) | Significant observable inputs (Level 2) HK$'000 (Unaudited) | Significant unobservable inputs (Level 3) HK$'000 (Unaudited) | Total HK$'000 (Unaudited) |
| Financial assets at fair value through profit or loss | **81,005** | **–** | **1,000,057** | **1,081,062** |

**As at 30 September 2019**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) HK$'000 (Audited) | Significant observable inputs (Level 2) HK$'000 (Audited) | Significant unobservable inputs (Level 3) HK$'000 (Audited) | Total HK$'000 (Audited) |
| Financial assets at fair value through profit or loss | 96,567 | – | 1,066,488 | 1,163,055 |

*Liabilities measured at fair value:*

**As at 31 March 2020**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) HK$'000 (Unaudited) | Significant observable inputs (Level 2) HK$'000 (Unaudited) | Significant unobservable inputs (Level 3) HK$'000 (Unaudited) | Total HK$'000 (Unaudited) |
| Contingent consideration payable | **–** | **–** | **596,439** | **596,439** |

The Group did not have any financial liabilities measured at fair value as at 30 September 2019.

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The movements in fair value measurements within Level 3 during the period/year are as follows:

| | Financial assets | | Financial liability | |
|---|---|---|---|---|
| | **31 March 2020 HK$'000 (Unaudited)** | 30 September 2019 HK$'000 (Audited) | **31 March 2020 HK$'000 (Unaudited)** | 30 September 2019 HK$'000 (Audited) |
| At beginning of period/year | **1,066,488** | 780,488 | **–** | – |
| Net gain/(loss) recognised in profit or loss | **(66,431)** | 10,128 | **–** | – |
| Purchases/initial recognition upon acquisition of subsidiaries | **–** | 295,372 | **596,439** | – |
| Disposal | **–** | (19,500) | **–** | – |
| At end of period/year | **1,000,057** | 1,066,488 | **596,439** | – |

During the six months ended 31 March 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

## 19. RELATED PARTY TRANSACTIONS

In addition to the transactions, arrangements and balances detailed elsewhere in the unaudited interim condensed consolidated financial information, the Group had the following transactions with related parties during the period:

**(a)** During the six months ended 31 March 2020, lease payments for a property in the aggregate amount of HK$1,470,000 (six months ended 31 March 2019: HK$1,470,000) were paid or payable by the Group to a company controlled by a director of the Company based on terms as agreed by the relevant parties as set out in a tenancy agreement.

Pursuant to the tenancy agreement, at 30 September 2019, the Group had total future minimum lease payments to the related party under the non-cancelling operating lease of the property of HK$2,940,000 and HK$1,715,000 falling due within one year and within second to fifth years, respectively.

## 19. RELATED PARTY TRANSACTIONS *(continued)*

### (b) Compensation of key management personnel of the Group

The directors of the Company comprises the key management personnel of the Group. Details of the compensation of the directors of the Company are as follows:

| | For the six months ended 31 March | |
|---|---|---|
| | **2020 HK$'000 (Unaudited)** | 2019 HK$'000 (Unaudited) |
| Fees | **400** | 404 |
| Other emoluments: | | |
| Salaries, allowances and other benefits | **12,631** | 7,908 |
| Equity-settled share option expense | **182** | 318 |
| Pension scheme contributions | **27** | 29 |
| | **12,840** | 8,255 |
| | **13,240** | 8,659 |

## 20. EVENT AFTER THE REPORTING PERIOD

On 12 May 2020, Apollo Automobil Limited, an indirect non-wholly-owned subsidiary of the Company, entered into a license agreement (the "License Agreement") with De Tomaso Automobil Limited ("De Tomaso"), whereby De Tomaso is granted the proprietary rights to use the new vehicular platform to be designed and developed by Apollo Automobil Limited (the "Platform") in "De Tomaso" branded vehicles worldwide at a minimum aggregate license fee of US$10,000,000 (equivalent to approximately HK$78,000,000) with a term of three years commencing from 12 May 2020 and ending on 11 May 2023.

The Platform being designed and developed by Apollo Automobil Limited is a new vehicular platform which can be used in various types of vehicles worldwide. The Platform includes a complete rolling chassis including crash structures, full powertrain, electronics and suspension, and is proprietary to Apollo Automobil Limited. The cooperation will strengthen the Group's business strategy of creating a turnkey platform for "Future Mobility" and will be able to leverage on the success and branding of De Tomaso to demonstrate its capabilities to other potential customers.

The transactions under the License Agreement constitute continuing connected transactions of the Company at the subsidiary level. Further details of the Licence Agreement are set out in the announcement of the Company dated 12 May 2020.

## 21. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial information was approved and authorised for issue by the board of directors of the Company on 29 May 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

### Mobility Technology Solutions Market

In the first half of the financial year 2020, the automobile industry was faced with a complex macro environment and unprecedented challenges. Production suspension and delivery delay were prevalent worldwide during the six months ended 31 March 2020 (the "Period") due to the COVID-19 outbreak. New energy vehicle ("NEV(s)") and other vehicle sales plunged as consumers refrained from making new purchases amid economic uncertainty. As a result, demand for mobility technology solutions (by automobile original equipment manufacturers ("OEM(s)")) decreased temporarily. Nonetheless, such demand remains positive in the long-term as OEMs continue to work on significant cost reductions while outsourcing can offer considerable ongoing cost saving and valuable innovations. Despite the adverse effects of the pandemic, favourable national policies and technological innovations brought great potential to the mobility industry, especially in the area of NEVs, artificial intelligence and smart mobility (i.e. electric vehicles, autonomous driving, and shared cars).

During the Period, the People's Republic of China (the "PRC") remains the world's largest producer of, and market for, NEVs for five consecutive years. In order to promote stable industrial development, in April 2020, the PRC government introduced a series of favourable policies, such as extending tax exemptions and subsidies for NEVs that were set to expire in 2020. The PRC government has proposed another round of investments in "new infrastructure" that NEV manufacturers and parts providers can benefit from, including NEV charging stations and clean energy.

In addition, as announced by the PRC government, foreign ownership restrictions on Chinese automobile companies for commercial vehicles and passenger vehicles will be removed in 2020 and 2022 respectively, implying that foreign automobile OEMs will soon be able to operate in the PRC without the need of a local partner. Demand for outsourced advanced mobility solutions by local OEMs spiked as a result of the local OEMs trying to stay competitive in the market.

Meanwhile, with a view to improve efficiency and reduce costs, the global automobile industry has been gradually reducing investment in research and development ("R&D"), and outsourcing has become a prevalent practice across the industry. Factors such as high R&D costs, high upfront costs, lack of in-house advanced technology are expected to support the growth of outsourced mobility technology solutions in the PRC and around the world.

### Hypercar Market

According to Polaris Market Research, the global hypercar market was valued at US$13.7 billion in 2019 resulting from advanced technology, increasing popularity of racing events as well as creative and distinctive designs. Amid economic fallout and production suspension caused by the COVID-19 outbreak, demand for hypercars did not suffer as much as other automobile segments, since the hypercar market targets ultra high-net-worth individuals and car collectors, a market which is typically non-cyclical.

## BUSINESS REVIEW

During the Period, the Group has been actively expanding its business as an integrated mobility technology solutions provider through a series of acquisitions and strategic cooperations.

The Group completed the acquisition of Sino Partner Global Limited ("Apollo") in March 2020 and officially changed the Company's English name to "Apollo Future Mobility Group Limited" with a new company logo and website, so as to highlight its strategic position as a full-service mobility solutions provider. To further strengthen its ability in providing cutting edge technological solutions, the Group announced in October 2019 the proposed acquisition of Ideenion Automobil AG ("Ideenion"), a German mobility solutions provider which designs, develops and manufactures prototype internal combustion engine vehicles and NEVs.

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

With the rapid development of the electric vehicle ("EV(s)") industry in the PRC, the Group grasped the opportunity to accelerate its business expansion plan in the NEV market of the PRC by establishing a joint venture (the"JV Company") with Jiangsu Jemmell New Energy Automobile Company Limited ("Jemmell", a related company of Jiangsu Jinpeng Group Company Limited ("Jinpeng"), one of the largest EV tricycle manufacturers in the PRC). The JV Company will engage primarily in the design, R&D, and production of NEVs and related automobile parts, and will also provide related technical support and after-sales services.

During the Period, the Group also made significant breakthrough in technological advancement by cooperating with ROHM Co., Ltd ("ROHM"), a leading semiconductor and electronic component manufacturer in Japan, in co-developing a 800V silicon carbide ("SiC") dual inverters.

Details of the acquisitions and cooperations are set out below.

## Completed Acquisition of 86.06% of Apollo, a European Hypercar Manufacturer

The Group entered into a sale and purchase agreement on 16 May 2019 and supplemental agreements on 15 August 2019 and 3 January 2020 with Ideal Team Ventures Limited ("Ideal Team"), pursuant to which, the Group conditionally agreed to purchase and Ideal Team conditionally agreed to sell 86.06% of the issued share capital of Apollo (the "Apollo Acquisition"), which is principally engaged in the design, development, manufacturing and sales of high performance hypercars under the brand "Apollo" worldwide. The Apollo Acquisition was completed on 17 March 2020 and provides an opportunity for the Group to strengthen its strategy of becoming a world leading mobility solutions provider in NEV and generally in the mobility industry, and to create substantial synergies with the Group's other investments in the mobility business.

During the Period, and prior to the completion of the Apollo Acquisition, Apollo delivered two of its flagship hypercar, the Apollo Intensa Emozione (the "Apollo IE"). Delivery ceremonies took place in Miami, USA and Kyoto, Japan in late 2019. The delivery of the first two Apollo IEs received worldwide media coverage.

## Proposed Acquisition of 100% of Ideenion, a Leading German Mobility Solutions Provider

On 31 October 2019, the Group entered into a sale and purchase agreement with three independent third parties (the "Vendors"), pursuant to which the Group conditionally agreed to purchase and the Vendors conditionally agreed to sell the entire issued share capital of Ideenion, which is principally engaged in the design, development and prototyping of internal combustion engine vehicles and NEVs ("Project Ideenion"). With the advanced design and engineering expertise, Project Ideenion will further enhance the Group's ability to provide high-end technological solutions to customers. Project Ideenion is in line with the Group's business strategy of expanding its NEV solutions and services and becoming a world leading full solutions provider.

The completion of Project Ideenion is conditional upon fulfilment of several conditions, including, among other things, the shareholders of the Company approving Project Ideenion and the specific mandate for the issue of shares of the Company (as part of the consideration) at an extraordinary general meeting. Further details in relation to, among other things, Project Ideenion are set out in the announcements of the Company dated 31 October 2019, 12 December 2019 and 13 March 2020.

## Formation of a Joint Venture Company with Jinpeng

On 12 November 2019, Jemmell (a related company of Jinpeng), GLM Co., Ltd. ("GLM", a subsidiary of the Company), and the Company entered into an agreement pursuant to which the parties agreed to form the JV Company in the PRC to engage primarily in the design, R&D, and production of NEVs and related automobile parts. The JV Company will be owned by Jemmell, GLM and the Company as to approximately 57%, approximately 29% and approximately 14%, respectively.

Jinpeng is one of the largest EV tricycle manufacturers in the PRC with well-established supply chains and distribution channels. Combining with GLM's brand and research capability, the JV Company will produce EVs targeting the young generation to meet the market demands in the PRC, Japan and Southeast Asian countries. Further details in relation to, among other things, the formation of the JV Company are set out in the announcement of the Company dated 12 November 2019.

## Cooperation with ROHM on Co-development of 800V SiC Dual Inverter

On 18 February 2020, GLM, which engages in the development and sales of EVs in Japan, has collaborated with ROHM, a semiconductor and electronic component manufacturer, to jointly develop 800V SiC dual inverter.

As compared to the current commonly seen 400V insulated gate bipolar transistor inverter, the newly developed 800V SiC dual inverter, coupled with the battery management system ("BMS") with solid state battery ("SSB") can greatly reduce the heat output of the inverter, while reducing weight, size and time required for charging. It also allows us to use dual inverter technology to enable independent energy output for each tire, so that the vehicle handling performance is greatly improved with stronger grip.

By incorporating this inverter into GLM's new EV system, GLM will be able to further optimize its core technology and expand its component business focusing on the development of new models and the supply of EV systems. Prototype production completed in May 2020 while testing in driveable electric prototype cars will commence at the end of 2020 or beginning of 2021. The project aims for mass production in Spring 2022.

## Change of Company Name

The Company announced on 23 December 2019 that it proposed to change the English name of the Company from "WE Solutions Limited" to "Apollo Future Mobility Group Limited". The change of Company name has become effective on 13 March 2020.

The Group aims to expand its NEV solutions and services and to become a world leading full solutions provider in the mobility industry, and the Apollo Acquisition and Project Ideenion are part of the Group's strategy to achieve this goal. The Group considers that the change of Company name will better reflect the Group's aforesaid business strategies, diversification and expansion and will also help to promote and strengthen the Group's corporate image and identity, enabling the Group to better capture potential business opportunities for its future development. In addition, the dual foreign name in Chinese of the Company (力世紀有限公司) remaining unchanged will help to maintain stability and development of the Group's business and goodwill in the PRC.

During the Period, the Group experienced lacklustre performance in other business segments which have been legacy in the process of restructuring in the past years. Following the shift of business focus in recent years, the Group will continue to scale down these businesses going forward and expect that factors affecting past results will gradually subside.

## PROSPECTS AND OUTLOOK

EVs' deployment has been growing rapidly over the past 10 years and the momentum is expected to continue for the next decade. According to an International Energy Agency research report, global electric car sales are expected to reach 23 million in 2030 under the new policies scenario, which includes the impact of announced policy ambitions. Favourable policies such as incentives and support for the deployment of charging infrastructure will continue to play an important role, while technological advancement will escalate momentum for electrification. These dynamic developments underpin a positive outlook for the increased deployment of EVs.

According to a report by Grand View Research, the global automotive engineering services outsourcing market size is expected to reach US$469.6 billion by 2027, registering a compound annual growth rate of 27.8% from 2020 to 2027. Growing partnership between OEMs and engineering service providers for leveraging technologies for efficiency and safety enhancement are anticipated to drive the market. The market has witnessed a technological shift owing to the growing demand for electrification, shared mobility, and autonomous driving. Furthermore, the growing trend of Advanced Driver-Assistance Systems, powertrain engineering and connectivity are expected to create more opportunities for the market.

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

To maintain its competitive edge, the Group will continue to enhance its technological advancement. Not only will it continue to accelerate its progress for the launch of the disruptive 800V SiC dual inverter, but also consider cooperation opportunities with motor manufacturers to market the new 800V SiC dual inverter, jointly developed by the Group and ROHM, coupled with the BMS with SSB and the motor manufacturers' own motors as a complete package to international mobility brands. The Group is also exploring a licensing model to further expand its source of revenue and to better focus on R&D and innovation.

Furthermore, the Group is in the process of developing its own vehicle control unit, which is used to control all functions of the vehicle. The Group will continue to make unremitting efforts to optimize its core technologies and strengthen its capabilities of providing state-of-the-art solutions.

The Group is working diligently on delivering the remaining eight Apollo IEs by 2021 and creating new consumer products. Both Apollo and GLM are in the process of designing and developing next generation own brand vehicles. Following its successful track record, the Group is confident in its robust product pipeline and the future of its automobile business.

The Group has also been actively exploring different sources of income leveraging on its renowned brand name and proprietary technologies. The JV Company with Jinpeng is a successful example of our business model for outsourcing mobility technology solutions to OEMs in the PRC. In May 2020, Apollo Automobil Limited, an indirect non-wholly-owned subsidiary of the Company, entered into a license agreement (the "License Agreement") with De Tomaso Automobili Limited ("De Tomaso") whereby De Tomaso is granted the proprietary rights to use the new vehicular platform to be designed and developed by Apollo Automobil Limited ("the Platform") in "De Tomaso" branded vehicles worldwide at a minimum aggregate license fee of US$10,000,000 (equivalent to approximately HK$78,000,000) with a term of three years commencing from 12 May 2020 and ending on 11 May 2023. The cooperation with the prestigious and iconic supercar brand De Tomaso is a strong credential to demonstrate the Group's ability to other potential customers by leveraging on its brand name and advanced technology platform. The Group believes that the first-class platform will appeal to more automobile OEMs and hence continue to generate more revenue to the Group under the licensing model. The Group will continue to explore similar potential business partnerships and opportunities to fulfil its comprehensive mobility strategy in the future.

Looking forward, the Group is confident and optimistic that the series of strategic acquisitions and cooperations it has achieved will create exciting opportunities for the Group. The Group will continue to strive to be the pioneer of mobility technology solutions and foster its leading position in the industry.

## FINANCIAL REVIEW

For the six months ended 31 March 2020, the revenue of the Group decreased by 8.6% to approximately HK$256.9 million as compared to approximately HK$281.1million in the corresponding period last year. The revenue comprised of sales of jewellery products and watches of approximately HK$215.1 million (six months ended 31 March 2019: HK$222.3 million), provision of engineering services of approximately HK$0.9 million (six months ended 31 March 2019: HK$3.1 million), interest income from loan financing of approximately HK$27.1 million (six months ended 31 March 2019: HK$39.4 million) and rental income from investment properties of approximately HK$13.8 million (six months ended 31 March 2019: HK$16.4 million). During the Period, the Group experienced a decrease in sales across all sectors as the general market condition became more challenging.

The Group's gross profit amounted to approximately HK$89.8 million for the Period as compared to approximately HK$87.0 million for the corresponding period last year. The slight increase in gross profit was mainly attributable to the reversal of write-down of inventories of approximately HK$10.7 million in the Period. As such, the gross profit margin increased to approximately 35.0% for the Period (six months ended 31 March 2019: 31.0%).

Other income and gains, net decreased to approximately HK$7.7 million (six months ended 31 March 2019: HK$107.3 million) mainly due to fair value gains of approximately HK$88.1 million recorded on financial assets at fair value through profit or loss in prior period.

General and administrative expenses increased by 27.0% to approximately HK$93.9 million (six months ended 31 March 2019: HK$73.9 million) mainly due to an increase in professional expenses incurred for merger and acquisition activities during the Period.

Other expenses, net increased to approximately HK$219.4 million (six months ended 31 March 2019: HK$114.1 million) and such increase was mainly attributable to (i) the fair value losses of approximately HK$82.0 million on financial assets at fair value through profit or loss due to the global market decline; (ii) the impairment of goodwill of approximately HK$29.6 million due to the termination of the wholesale distributorship of certain jewellery products and watches in Mainland China; and (iii) the fair value losses of approximately HK$70.1 million on investment properties and the impairment of other intangible assets of approximately HK$27.1 million due to the worsening of the market condition in Mainland China.

Overall, the loss attributable to owners of the Company for the Period increased to approximately HK$203.4 million, as compared to approximately HK$12.5 million for the corresponding period of last year due to the reasons as explained above.

## Significant Investments Held

Details of significant investments held by the Group were set out as follows:

| | As at 31 March 2020 | | | For the period ended 31 March 2020 | Fair value | | |
|---|---|---|---|---|---|---|---|
| Nature of investments | Number of preferred shares held '000 | Percentage of preferred shares held in such investee % | Percentage to the Group's total assets % | Fair value gain/(loss) HK$'000 | As at 31 March 2020 HK$'000 | As at 1 October 2019 HK$'000 | Investment cost HK$'000 |
| Financial assets at fair value through profit or loss with a value of 5% or more of total assets: | | | | | | | |
| (i) EV Power | | | | | | | |
| — Preferred shares | 142,820 | 50.29 | 8.82 | (36,971) | 438,283 | 475,254 | 407,679* |
| — Call option | N/A | N/A | N/A | 653 | 11,632 | 10,979 | |
| | | | | (36,318) | 449,915 | 486,233 | 407,679 |
| (ii) Divergent | | | | | | | |
| — Preferred shares | 4,139 | 44.49 | 8.76 | (29,663) | 435,522 | 465,185 | 547,378* |
| — Convertible note | N/A | N/A | N/A | (1,993) | 93,077 | 95,070 | |
| | | | | (31,656) | 528,599 | 560,255 | 547,378 |

* Represented the aggregate consideration

**(i) Investment in EV Power**

EV Power Holding Limited and its subsidiaries ("EV Power") are principally engaged in the provision of EV charging solutions and standards in Hong Kong and the PRC. The investment in EV Power represents an opportunity to contribute to sustainable growth for the Group and to continue its business strategy of becoming a leading investor in the EV industry in the PRC.

**(ii) Investment in Divergent**

Divergent Technologies, Inc. ("Divergent") is a company based in the United States of America which uses three-dimensional ("3D") metal printing technology through its patented hardware and software platform to conduct research, design, development and production of 3D printed vehicle structures. The Group believes that the investment in Divergent will create synergies with the Group's other automotive related businesses.

## Liquidity, Financial Resources and Gearing

As at 31 March 2020, the cash and cash equivalents of the Group amounted to approximately HK$123.9 million (30 September 2019: HK$447.6 million), which were mainly denominated in HK$, Renminbi ("RMB"), Euro and Japanese Yen.

The total current assets and total current liabilities of the Group as at 31 March 2020 were approximately HK$945.0 million and HK$420.9 million, respectively (30 September 2019: total current assets of HK$1,190.4 million and total current liabilities of HK$407.4 million). The Group's net current assets as at 31 March 2020 comprised of inventories of approximately HK$143.6 million (30 September 2019: HK$214.8 million), accounts receivable, prepayments, deposits and other receivables of approximately HK$107.9 million (30 September 2019: HK$52.3 million), loans receivable of approximately HK$568.2 million (30 September 2019: HK$473.8 million) and financial assets at fair value through profit or loss of approximately HK$1.4 million (30 September 2019: HK$2.0 million).

The Group's inventory turnover, accounts receivable turnover and accounts payable turnover periods were 196 days, 21 days and 71 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; and (ii) interest-bearing bank borrowings. As at 31 March 2020, equity attributable to owners of the Company amounted to approximately HK$3,693.8 million (30 September 2019: HK$3,924.3 million).

The Group's total interest-bearing bank borrowings and lease liabilities as at 31 March 2020 amounted to approximately HK$127.9 million (30 September 2019: HK$126.5 million) and approximately HK$20.9 million (30 September 2019: Nil), respectively, which were mainly denominated in HK$, 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 2020, the gearing ratio was approximately 3.4% (30 September 2019: 3.1%). This ratio is calculated as total interest-bearing bank borrowings divided by total equity.

### Contingent Liabilities

Details of contingent liabilities of the Group are set out in note 16 to the unaudited interim condensed consolidated financial information in this report.

### Pledge of Assets

As at 31 March 2020, the Group's freehold land and buildings with an aggregate net carrying amount of approximately HK$49,441,000 were pledged to secure a long term bank loan to the Group with a principal amount of approximately HK$20,834,000.

### 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 2020, 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 2020 were mostly denominated in HK$, 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. However, 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

Event after the reporting period of the Group are set out in note 20 to the unaudited interim condensed consolidated financial information in this report.

### Material Acquisitions or Disposals

Save as disclosed in this report, there was no other material acquisition or disposal of subsidiaries, associates or joint ventures by the Group for the six months ended 31 March 2020.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, there was no specific plan for material investments or capital assets as at 31 March 2020.

# DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

| Name of Directors | Capacity and nature of interest | Number of ordinary shares held | Number of share options held (Note 1) | Total interests | Percentage of interest (Note 2) |
|---|---|---|---|---|---|
| Mr. Ho King Fung, Eric *(Chairman)* | Personal | 12,000,000 | 50,000,000 | 62,000,000 | 0.86% |
| Mr. Sung Kin Man *(Chief Executive Officer)* | Personal | – | 30,000,000 | 30,000,000 | 0.42% |
| Mr. Zhang Jinbing | Corporate and personal | 3,960,000 | 1,488,000 | 5,448,000 | 0.08% |
| Mr. Tam Ping Kuen, Daniel | Personal | 960,000 | 2,488,000 | 3,448,000 | 0.05% |
| Mr. Teoh Chun Ming | Personal | – | 1,000,000 | 1,000,000 | 0.01% |
| Mr. Peter Edward Jackson | Personal | – | 1,000,000 | 1,000,000 | 0.01% |

Notes:

1. Details of share options held by the Directors are shown in the section "Share Option Scheme" below.

2. Based on 7,170,198,562 shares of the Company in issue as at 31 March 2020.

3. All the interests disclosed above represent long positions in the shares of the Company.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section "Share Option Scheme" below, at no time during the six months ended 31 March 2020 was the Company, or any of its subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the six months ended 31 March 2020 and up to the date of this report, none of the Directors and directors of the Company's subsidiaries or their respective associates had any interests in any businesses, apart from the Group's business, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

## SHARE OPTION SCHEME

The existing share option scheme (the "Share Option Scheme") was adopted by the Company on 1 March 2013, the purpose of which is to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants, advisors and shareholders of the Group and to promote the success of the business of the Group.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date, after such period no further options may be granted under the Share Option Scheme but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto.

Eligible participants under the Share Option Scheme include, among others, employees, directors, customers, advisors, shareholders, consultants, suppliers or service providers of the Group.

Details of the Share Option Scheme are as follows:

(a) The maximum number of ordinary shares issuable upon exercise of the share options (the "Share Options") which may be granted under the Share Option Scheme and any other share option scheme of the Group (if any) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company. Any further grant of Share Options in excess of this limit is subject to shareholders' approval in a general meeting;

(b) The exercise period of the Share Options granted is determinable by the Board, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the Share Options or other expiry date(s) stipulated in the Share Option Scheme, whichever is the earlier;

(c) The offer of a grant of Share Options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1.00 by the grantee; and

(d) The exercise price of the Share Options is determinable by the Board but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer; or (iii) the nominal value of the Company's shares on the date of the offer.

Details of the movement of the Share Options during the six months ended 31 March 2020 under the Share Option Scheme are as follows:

| | | Number of Share Options | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Date of Grant | As at 1 October 2019 | Granted during the Period | Lapsed/ Cancelled during the Period | Exercised during the Period | As at 31 March 2020 | Vesting and exercise period | Exercise price per share HK$ | Closing price per share immediately before date of grant HK$ |
| **Directors and Chief Executive** | | | | | | | | | |
| Mr. Ho King Fung, Eric | 6 April 2017 | 20,000,000 | – | – | – | 20,000,000 | Note 1 | 0.85 | 0.84 |
| | 30 May 2019 | 30,000,000 | – | – | – | 30,000,000 | Note 2 | 0.475 | 0.485 |
| Mr. Sung Kin Man (also the chief executive officer) | 30 May 2019 | 30,000,000 | – | – | – | 30,000,000 | Note 2 | 0.475 | 0.485 |
| Mr. Zhang Jinbing | 19 July 2016 | 1,488,000 | – | – | – | 1,488,000 | Note 3 | 0.65 | 0.65 |
| Mr. Tam Ping Kuen, Daniel | 19 July 2016 | 1,488,000 | – | – | – | 1,488,000 | Note 3 | 0.65 | 0.65 |
| | 30 May 2019 | 1,000,000 | – | – | – | 1,000,000 | Note 2 | 0.475 | 0.485 |
| Mr. Teoh Chun Ming | 30 May 2019 | 1,000,000 | – | – | – | 1,000,000 | Note 2 | 0.475 | 0.485 |
| Mr. Peter Edward Jackson | 30 May 2019 | 1,000,000 | – | – | – | 1,000,000 | Note 2 | 0.475 | 0.485 |
| **Others** | | | | | | | | | |
| Substantial shareholders | 13 March 2018 | 50,000,000 | – | – | – | 50,000,000 | Note 4 | 1.782 | 1.71 |
| Employees | 19 July 2016 | 11,973,204 | – | – | – | 11,973,204 | Note 3 | 0.65 | 0.65 |
| | 3 April 2018 | 1,700,000 | – | – | – | 1,700,000 | Note 5 | 1.776 | 1.72 |
| | 30 May 2019 | 15,000,000 | – | – | – | 15,000,000 | Note 2 | 0.475 | 0.485 |
| Total | | 164,649,204 | – | – | – | 164,649,204 | | | |

Notes:

1. From 6 April 2017 to 5 April 2027.

2. From 30 May 2019 to 29 May 2029.

3. Subject to the rules of the Share Option Scheme, the Share Options are exercisable in the following manner for a period from the date of the acceptance of the Share Options to 10 years from the date of grant:

| Percentage of the Share Options that are vested and exercisable | Period for the exercise of the relevant Share Options |
|---|---|
| 20% | From 19 July 2017 to 18 July 2026 |
| Additional 20% (i.e. up to 40% in total) | From 19 July 2018 to 18 July 2026 |
| Additional 20% (i.e. up to 60% in total) | From 19 July 2019 to 18 July 2026 |
| Additional 20% (i.e. up to 80% in total) | From 19 July 2020 to 18 July 2026 |
| Additional 20% (i.e. up to 100% in total) | From 19 July 2021 to 18 July 2026 |

4. From 13 March 2018 to 12 March 2028.

5. From 3 April 2018 to 2 April 2028.

## SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES

As at 31 March 2020, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

| Name of shareholders | Capacity and nature of interest | Number of shares held | Percentage of shares in issue (Note 1) |
|---|---|---|---|
| Mr. Ho King Man, Justin | Beneficial owner and interest in a controlled corporation | 1,752,192,474 (Note 2) | 24.44% |
| Ruby Charm Investment Limited | Beneficial owner | 1,699,220,474 (Note 3) | 23.70% |
| Great Dawn Investments Limited | Beneficial owner | 574,440,000 (Note 4) | 8.01% |
| Agile Capital Investment Group Limited | Interest in a controlled corporation | 574,440,000 (Note 4) | 8.01% |
| Agile Capital Investment Holdings Limited | Interest in controlled corporations | 574,440,000 (Note 4) | 8.01% |
| Eastern Supreme Group Holdings Limited | Interest in controlled corporations | 574,440,000 (Note 4) | 8.01% |
| Agile Group Holdings Limited | Interest in controlled corporations | 574,440,000 (Note 4) | 8.01% |

| Name of shareholders | Capacity and nature of interest | Number of shares held | Percentage of shares in issue (Note 1) |
|---|---|---|---|
| Top Coast Investment Limited | Interest in controlled corporations | 574,440,000 (Note 4) | 8.01% |
| Full Choice Investments Limited | Interest in controlled corporations | 574,440,000 (Note 5) | 8.01% |
| Mr. Chen Zhuo Lin | Beneficiary of a trust | 574,440,000 (Note 5) | 8.01% |
| Mr. Chan Cheuk Yin | Beneficiary of a trust | 574,440,000 (Note 5) | 8.01% |
| Ms. Luk Sin Fong, Fion | Beneficiary of a trust | 574,440,000 (Note 5) | 8.01% |
| Mr. Chan Cheuk Hung | Beneficiary of a trust | 574,440,000 (Note 5) | 8.01% |
| Mr. Chan Cheuk Hei | Beneficiary of a trust | 574,440,000 (Note 5) | 8.01% |
| Mr. Chan Cheuk Nam | Beneficiary of a trust | 574,440,000 (Note 5) | 8.01% |
| Ms. Chan Siu Na | Spouse | 574,440,000 (Note 6) | 8.01% |
| Ms. Zheng Huiqiong | Spouse | 574,440,000 (Note 7) | 8.01% |
| Ms. Lu Liqing | Spouse | 574,440,000 (Note 8) | 8.01% |
| Ms. Lu Yanping | Spouse | 574,440,000 (Note 9) | 8.01% |
| Mr. Li Ka Shing | Interest in controlled corporations | 488,090,100 (Note 10) | 6.81% |
| Sino-Alliance International, Ltd | Beneficial owner | 431,876,000 (Note 11) | 6.02% |
| Shanghai Alliance Investment Ltd. | Interest in a controlled corporation | 431,876,000 (Note 11) | 6.02% |

Notes:

1. Based on 7,170,198,562 shares of the Company in issue as at 31 March 2020.

2. Among 1,752,192,474 shares, (i) 1,699,220,474 shares are owned by Ruby Charm Investment Limited (see also note 3 below); (ii) 2,972,000 shares are owned by Mr. Ho King Man, Justin personally; and (iii) 50,000,000 shares represent the Share Options granted to Mr. Ho King Man, Justin on 13 March 2018 pursuant to the terms of the Share Option Scheme, which entitle him to subscribe for shares of the Company.

3. Ruby Charm Investment Limited is a private company directly wholly owned by Mr. Ho King Man, Justin.

4. Great Dawn Investments Limited is a private company directly wholly owned by Agile Capital Investment Group Limited. Agile Capital Investment Group Limited is a private company directly wholly owned by Agile Capital Investment Holdings Limited. Agile Capital Investment Holdings Limited is a private company directly wholly owned by Eastern Supreme Group Holdings Limited. Eastern Supreme Group Holdings Limited is a private company directly wholly owned by Agile Group Holdings Limited. Agile Group Holdings Limited, a company listed on the Stock Exchange (stock code: 3383), is a company directly non-wholly owned by Top Coast Investment Limited. Top Coast Investment Limited is a private company directly wholly owned by Full Choice Investments Limited.

5. Full Choice Investments Limited is a trustee of the Chen's Family Trust, the beneficiaries of which are Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Ms. Luk Sin Fong, Fion, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei and Mr. Chan Cheuk Nam.

6. Ms. Chan Siu Na is the spouse of Mr. Chan Cheuk Nam and is deemed to be interested in the shares.

7. Ms. Zheng Huiqiong is the spouse of Mr. Chan Cheuk Yin and is deemed to be interested in the shares.

8. Ms. Lu Liqing is the spouse of Mr. Chan Cheuk Hung and is deemed to be interested in the shares.

9. Ms. Lu Yanping is the spouse of Mr. Chan Cheuk Hei and is deemed to be interested in the shares.

10. Among 488,090,100 shares, (i) 311,619,512 shares are owned through Ocean Dynasty Investments Limited, a private company indirectly wholly owned by Mr. Li Ka Shing; and (ii) 176,470,588 shares are owned by Goldrank Limited, a company wholly owned by Li Ka Shing (Overseas) Foundation ("LKSOF"). By virtue of the terms of the constituent documents of LKSOF, Mr. Li Ka Shing is regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSOF.

11. Sino-Alliance International, Ltd is a private company directly wholly owned by Shanghai Alliance Investment Ltd.

12. All the interests stated above represent long positions in the shares of the Company.

## EMPLOYEES AND EMPLOYMENT POLICIES

As at 31 March 2020, the Group had 297 employees (30 September 2019: 221). The related employees' costs for the Period (including directors' remuneration) amounted to approximately HK$45.5 million (six months ended 31 March 2019: HK$36.0 million). In addition to basic salary, employees are entitled to other benefits including social insurance contributions, employee provident fund schemes and share option scheme of the Company. The remuneration of employees was in line with market trend and with reference to the market rate and the performance of individual employees, which are regularly reviewed each year.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the six months ended 31 March 2020.

## CORPORATE GOVERNANCE

During the six months ended 31 March 2020, 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 Listing Rules.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 2020.

## AUDIT COMMITTEE

The Company has established the audit committee (the "Audit Committee") with written terms of reference in compliance with the Code.

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

Mr. Teoh Chun Ming *(Chairman)*
Mr. Tam Ping Kuen, Daniel
Mr. Peter Edward Jackson
Mr. Charles Matthew Pecot III

The primary responsibilities of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial controls, internal control and risk management systems, to review and monitor the effectiveness of the audit process and to perform other duties and responsibilities as assigned by the Board. The Audit Committee has reviewed and discussed the interim results of the Group for the six months ended 31 March 2020 and this report.

## INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended 31 March 2020 (six months ended 31 March 2019: 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, 29 May 2020