apollo

APOLLO FUTURE MOBILITY GROUP LIMITED

力世紀有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 860)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2020

The board (the "Board") of directors (the "Directors") of Apollo Future Mobility Group Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 March 2020 together with the comparative figures for the corresponding period. The unaudited interim condensed consolidated financial information for the six months ended 31 March 2020 has been reviewed by our external auditors, Ernst & Young, certified public accountants, 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 Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the audit committee (the "Audit Committee") of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

	Notes	For the six months ended 31 March 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
REVENUE	*4*	**256,908**	281,128
Cost of sales		**(167,066)**	(194,100)
Gross profit		**89,842**	87,028
Other income and gains, net		**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		**(3,686)**	(1,325)
Share of profits and losses of associates		**1,476**	(8,896)
LOSS BEFORE TAX	*5*	**(251,269)**	(33,762)
Income tax credit	*6*	**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	*8*		
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		**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		**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	*9*	**21,008**	32,872
Loans receivable		**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	*10*	**30,569**	99,167
Other payables and accruals		**266,151**	198,987
Interest-bearing bank borrowings		**108,272**	104,678
Lease liabilities		**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

	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	**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	**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

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 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 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 followed 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)-lnt 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, 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:

(a) 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).

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 impact at 1 October 2019

The impact arising from the adoption of HKFRS 16 at 1 October 2019 was as follows:

	Increase/ (decrease) *HK$'000*
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

(b) 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. REVENUE

An analysis of revenue is as follows:

	For the six months ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(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. 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
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.*

6. INCOME TAX

The Group calculates the income tax expense for each interim period based on the best estimate of the applicable weighted average annual income rate expected for the full financial year. The major components of income tax 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)

7. DIVIDEND

The Board 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).

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

The calculation of the basic loss per share amounts 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 amounts 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 amounts 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 amounts presented.

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

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

Loss

	For the six months ended 31 March	
	2020	2019
	HK\$'000	*HK\$'000*
	(Unaudited)	(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 calculations	**(203,370)**	(142,173)

Shares

	Number of shares For the six months ended 31 March	
	2020	2019
	(Unaudited)	(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

9. ACCOUNTS RECEIVABLE

	31 March 2020	30 September 2019
	HK\$'000	*HK\$'000*
	(Unaudited)	(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.

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	30 September 2019
	HK$'000	*HK$'000*
	(Unaudited)	(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

10. ACCOUNTS PAYABLE

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

	31 March 2020	30 September 2019
	HK$'000	*HK$'000*
	(Unaudited)	(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

11. 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 the consolidated earnings before interests and taxes 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. Such number of Consideration Shares shall be issued to Ideal Team as follows:

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

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

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

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

   (v) more than or equal to EUR9,450,000, then 1,655,232,000 Consideration Shares shall be issued to Ideal Team.

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

The major assets acquired through this business combination include, amongst others, property, plant and equipment, and other intangible assets. Accordingly, the Group has initially recognised identifiable net assets of HK$157,600,000 and goodwill of HK$632,808,000 in accordance with HKFRS 3 (Revised) "Business Combinations". The fair values of the considerations transferred, the identifiable net assets and the carrying amount of goodwill of the above business combination as at the date of acquisition are provisional amounts and are subject to the finalisation of the fair value estimation.

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 antomobile 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.

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.

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 the 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

On 12 May 2020, Apollo Automobil Limited, an indirect non-wholly-owned subsidiary of the Company, entered into the License Agreement with De Tomaso whereby De Tomaso is granted the proprietary rights to use the Platforms 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.

Material Acquisitions or Disposals

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code (the "Model Code") as set out in Appendix 10 of the Listing Rules regarding securities transactions by the Directors. Following specific enquiry by the Company, all Directors confirmed that they have fully complied with the Model Code during the six months ended 31 March 2020.

AUDIT COMMITTEE

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

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

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

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

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

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