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apollo

APOLLO FUTURE MOBILITY GROUP LIMITED

力世紀有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 860)

**CONTINUING CONNECTED TRANSACTION
LICENSE AGREEMENT WITH DE TOMASO**

LICENSE AGREEMENT

Apollo Automobil, an indirect non-wholly owned subsidiary of the Company, is designing and developing 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.

On 12 May 2020 (after trading hours), Apollo Automobil entered into the License Agreement with a term of three years commencing from 12 May 2020 and ending on 11 May 2023 with De Tomaso, pursuant to which Apollo Automobil agrees to license to De Tomaso, and De Tomaso agrees to license from Apollo Automobil, the rights to use the Platforms in De Tomaso's "De Tomaso" branded vehicles worldwide at a minimum aggregate license fee of US\$10,000,000 (equivalent to approximately HK\$78,000,000).

It was also agreed that Apollo Automobil shall have the exclusive right to produce (or arrange third party production of) the Platforms for De Tomaso.

LISTING RULES IMPLICATIONS

As at the date of this announcement, De Tomaso is wholly-owned by Mr. Norman Choi, who is a director of several subsidiaries of the Company (including Apollo Automobil). De Tomaso is therefore a connected person of the Company at the subsidiary level under the Listing Rules and accordingly, the transactions under the License Agreement constitutes continuing connected transactions of the Company at the subsidiary level. As the License Agreement relates to transactions with a connected person at the subsidiary level, the License Agreement is only subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules and is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

INTRODUCTION

Apollo Automobil, an indirect non-wholly owned subsidiary of the Company, is designing and developing 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.

On 12 May 2020 (after trading hours), Apollo Automobil entered into the License Agreement with a term of three years commencing from 12 May 2020 and ending on 11 May 2023 with De Tomaso, pursuant to which Apollo Automobil agrees to license to De Tomaso, and De Tomaso agrees to license from Apollo Automobil, the rights to use the Platforms in De Tomaso's "De Tomaso" branded vehicles worldwide. De Tomaso may place orders with Apollo Automobil for the license of the Platforms from 1 October 2020 onwards, and the parties agreed to license a minimum of 30 Platforms and 100 Platforms at a license fee of US\$100,000 (equivalent to approximately HK\$780,000) per Platform on or before 30 September 2021 and 30 September 2022 respectively.

A summary of the principal terms of the License Agreement is set out below.

LICENSE AGREEMENT

The principal terms of the License Agreement are as follows:

Date: 12 May 2020 (after trading hours)

Parties: (i) Apollo Automobil as licensor
(ii) De Tomaso as licensee

Subject and consideration of the License: Apollo Automobil will license to De Tomaso the rights to use the Platforms in “De Tomaso” branded vehicles worldwide (of which a minimum of 30 Platforms will be licensed on or before 30 September 2021 and at least 100 Platforms will be licensed on or before 30 September 2022) at a minimum aggregate license fee of US\$10,000,000 (equivalent to approximately HK\$78,000,000) in cash, being US\$100,000 (equivalent to approximately HK\$780,000) per Platform licensed.

The license fee per Platform for the 101st to 200th units and the 201st unit onwards will be US\$50,000 (equivalent to approximately HK\$390,000) and US\$30,000 (equivalent to approximately HK\$234,000) respectively.

De Tomaso may place orders with Apollo Automobil for the license of the Platforms from 1 October 2020 onwards, and the license fee will be payable in full by De Tomaso to Apollo Automobil upon De Tomaso placing an order for the license of the respective Platform.

Term: Three years commencing from 12 May 2020 and ending on 11 May 2023

Production of the Platforms: De Tomaso will place orders and pay for the production of the Platforms subject to specifically tailored orders to be entered into in relation to the production. Apollo Automobil shall have the exclusive right to produce (or arrange third party production of) the Platforms for De Tomaso.

Right of first refusal: Should Apollo Automobil decide to sell, De Tomaso has the right of first refusal to purchase the entire development program of the Platform from Apollo Automobil, including all intellectual property thereof, if the terms offered by De Tomaso is no less favourable than those offered by third party(ies). In the event De Tomaso exercises its right of first refusal, Apollo Automobil has the right to license the use of the Platform from De Tomaso on terms no less favourable than those in the License Agreement and the parties will negotiate in good faith a new license agreement to replace the License Agreement at that time.

The license fee payable under the License Agreement was determined after arm's length negotiation between Apollo Automobil and De Tomaso with reference to known industry practices, quotations from third party suppliers and internal cost analysis.

ANNUAL CAPS

The annual caps for the aggregate license fee payable by De Tomaso to Apollo Automobil under the License Agreement for each of the three financial years of the Company ending 30 September 2023 are set out as follows:

The financial year ending 30 September	US\$	Approximate HK\$ equivalent
2021	5,000,000	39,000,000
2022	8,000,000	62,400,000
2023	10,000,000	78,000,000

The above annual caps were determined based on the expected schedule of the development of the Platform and the demand for and sales projections of “De Tomaso” branded vehicles worldwide provided by De Tomaso.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LICENSE AGREEMENT

The Group is an integrated mobility technology solutions provider aiming to build a comprehensive mobility value chain through a number of acquisitions of and investments in mobility-related businesses. The Group engages in the design, development, manufacturing and sales of high performance hypercars under the brand “Apollo” worldwide and delivers EV powertrain technology (i.e. motor, battery packs and battery management system) and engineering packaged solutions (i.e. chassis and vehicle control units) to customers. It also expanded its businesses through its investments in Divergent Technologies, Inc. which is principally engaged in the research, design, development and manufacture of three-dimensional printed structures for automobiles and EV Power Holding Limited which is principally engaged in the provision of EV charging solutions and standards in Hong Kong and the PRC.

The Directors believe that the license by Apollo Automobil to De Tomaso of the rights to use the Platform for De Tomaso’s “De Tomaso” branded vehicles worldwide under the License Agreement is an opportunity to strengthen the Group’s business strategy of creating a one-stop platform for future mobility solutions. It is expected that the Group will be able to leverage on the success and branding of De Tomaso through the License of the Platform and further market its capabilities to other potential customers accordingly.

The Directors are of the view that the License Agreement was entered into in the ordinary and usual course of business of the Group and the terms of the License Agreements are on normal commercial terms or better arrived at after arm’s length negotiation between the parties and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors have any material interest in the License Agreement, and therefore none have abstained from voting on the Board resolutions approving the License Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, De Tomaso is wholly-owned by Mr. Norman Choi, who is a director of several subsidiaries of the Company (including Apollo Automobil). De Tomaso is therefore a connected person of the Company at the subsidiary level under the Listing Rules and accordingly, the transactions under the License Agreement constitutes continuing connected transactions of the Company at the subsidiary level. Based on the annual cap for each of the financial years ending 30 September 2021, 2022 and 2023 as set out above, as one or more of the applicable percentage ratios in respect of the transactions under the License Agreement exceed 5%, the License Agreement would be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Given the Directors (including the independent non-executive Directors) are of the view that the terms of the License Agreement are on normal commercial terms or better and are fair and reasonable and in the interests of the Company and the Shareholders as a whole and the Board has approved the License Agreement and the transaction contemplated thereunder (including the License), the transactions under the License Agreement as connected transactions between the Group and a connected person at the subsidiary level on normal commercial terms or better is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules. Accordingly, the License Agreement is only subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

INFORMATION ON THE GROUP, APOLLO AUTOMOBIL AND DE TOMASO

The Company is principally engaged in investment holding and the principal business activities of its subsidiaries are the provision of mobility technology solutions, retailing and wholesale of jewellery products and watches, money lending and property investment.

Apollo Automobil is principally engaged in the design, development, manufacturing and sales of high performance hypercars under the brand "Apollo" worldwide. It is indirectly owned by the Company as to approximately 86.06%.

De Tomaso is principally engaged in the design, manufacturing and sales of supercars under the brand "De Tomaso" worldwide. It is wholly-owned by Mr. Norman Choi as at the date of this announcement.

DEFINITIONS

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

“Apollo Automobil”	Apollo Automobil Limited, a limited liability company incorporated in Hong Kong and an indirect subsidiary owned by the Company as to approximately 86.06%
“Board”	the board of Directors
“Company”	Apollo Future Mobility Group Limited, a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“De Tomaso”	De Tomaso Automobili Limited, a limited liability company incorporated in the British Virgin Islands and wholly-owned by Mr. Norman Choi as at the date of this announcement
“Director(s)”	the director(s) of the Company
“EV(s)”	electric vehicle(s)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“License”	the license under the License Agreement
“License Agreement”	the license agreement dated 12 May 2020 entered into between Apollo Automobil as licensor and De Tomaso as licensee in respect of the license of the Platform
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Norman Choi”	Mr. Choi Sung Fung
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
“Platform”	a new vehicular platform (which includes a complete rolling chassis including crash structures, full powertrain, electronics and suspension) in the process of being designed and developed by Apollo Automobil and proprietary to Apollo Automobil which can be used in various types of vehicles worldwide
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“US\$”	United States dollars, the lawful currency of the United States of America
“Share(s)”	ordinary share(s) in the Company with a nominal value of HK\$0.10 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

For the purpose of this announcement, unless otherwise indicated, the exchange rate of US\$1=HK\$7.80 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rate or at all.

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

Hong Kong, 12 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.