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APOLLO FUTURE MOBILITY GROUP LIMITED

APOLLO 智慧出行集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 860)

SUPPLEMENTAL INFORMATION IN RELATION TO ANNUAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2021

Reference is made to the annual report of Apollo Future Mobility Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) for the year ended 30 September 2021 published on 27 January 2022 (the “**Annual Report**”). Capitalised terms used herein shall have the same meanings as those defined in the Annual Report unless the context requires otherwise.

The Company would like to supplement the Annual Report with the following information in relation to (i) the Group’s money lending business and (ii) grant of Share Options during the year ended 30 September 2021.

MONEY LENDING BUSINESS

Business model

The Company engages in money lending business through its subsidiaries in Hong Kong with the aim of increasing the return of capital of the Group by utilising the Group’s internal resources to generate additional revenue for the Shareholders under acceptable and controllable levels of risk.

As at 30 September 2021, the Group had outstanding loans to sixteen corporate borrowers and three individual borrowers, with an average loan size of approximately HK\$40.3 million. The loans receivable had loan tenure ranging from 3 months to 2 years and bore interest at rates ranging from 4.75% to 12% per annum. Certain loans receivable were secured by the pledge of properties and personal guarantees provided by certain independent third parties. Such borrowers were mainly referred to the Group by business partners and existing borrowers. The Group does not solicit borrowers publicly and only uses funds generated from its business operations to fund its money lending business.

The table below shows the list of borrowers of the loans receivable of the Group as at 30 September 2021 and their respective outstanding loan amount as at the date of this announcement.

Borrowers as at 30 September 2021	Relationship with the Company	Outstanding loan amount as at 30 September 2021 <i>HK\$'000</i>	Outstanding loan amount as at the date of this announcement <i>HK\$'000</i>
Customer A	Independent third party	64,015	66,372
Customer B	Independent third party	1,806	1,933
Customer C	Independent third party	9,632	10,258
Customer D	Independent third party	143,410	151,809
Customer E	Independent third party	34,665	34,665
Customer F	Independent third party	6,020	6,166
Customer G	An associate and a significant investment of the Group	6,563	—
Customer H	Independent third party	66,342	69,942
Customer I	Independent third party	18,607	19,831
Customer J	Independent third party	21,584	22,584
Customer K	Independent third party	77,881	81,581
Customer L	Independent third party	2,092	2,064
Customer M	Independent third party	123,567	14,744
Customer N	Independent third party	67,116	32,261
Customer O	Independent third party	23,210	23,177
Customer P	Independent third party	59,625	60,628
Customer Q	Independent third party	9,317	9,441
Customer R	Independent third party	19,713	—
Customer S	Independent third party	10,521	10,820
Total		765,686	618,276

As the Group aims to focus on the development of its mobility technology solutions business going forward, it currently only uses its internal financial resources for the provision of loan financing and plans to gradually scale down the money lending business over time.

Credit risk assessment policy

The Group has designated a team responsible for operating and monitoring the money lending business (the “**Money Lending Team**”). After identifying potential borrowers, the Money Lending Team is responsible for performing credit evaluations on them. The credit evaluation procedures include (i) engaging independent credit management service agents to prepare credit reports on each of the borrowers and guarantors; (ii) understanding the background and business operations of the borrowers; (iii) reviewing historical credit records of the borrowers and guarantors; (iv) assessing the repayment ability of the borrowers through understanding the liquidity and financial conditions of the borrowers and guarantors; and (v) assessing the validity and value of the collaterals, if applicable. As at 30 September 2021, approximately 63.9% and 10.4% of the gross carrying amount of loans receivable were secured by personal guarantees and collaterals, respectively.

Loan impairment assessment

Reference is made to pages 167 to 169 of the Annual Report. As at 30 September 2021, the Group has provided an impairment allowance of approximately HK\$61,182,000 on the gross loans receivable of approximately HK\$765,686,000. The impairment allowance is made in accordance with the ECL model under HKFRS 9.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. At each reporting date, the Group assesses whether the credit risk on the loans receivable has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information, including historical and forward-looking information. For loans with no significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those loans with a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group engaged an independent external valuer (the “**Valuer**”) to assist in the assessment of the ECL of the loans receivable. Based on relevant and available information, which includes past repayment history of the borrowers, value of collaterals, data as cited in external research reports, macroeconomic factors and other qualitative information available to the Group, the Valuer assisted the Group in estimating the amount of ECL of the loans receivables. The Valuer concluded that as at 30 September 2021, the loss allowance for approximately HK\$725,001,000 of the loans receivable should be measured based on 12-month ECLs and loss allowance for approximately HK\$40,685,000 of the loans receivable should be measured based on lifetime ECLs, and accordingly a total of approximately HK\$61,182,000 of ECL allowance was provided. The ECL allowance as at 30 September 2020 was approximately HK\$422,292,000. The decrease in the ECL allowance of approximately HK\$361,110,000 (representing a decrease of approximately 85.51%) as at 30 September 2021 was mainly due to the release of ECL allowance of approximately HK\$394,118,000 upon disposal of certain subsidiaries during the year ended 30 September 2021.

The loans receivable will be written off when the Group considers that there is no reasonable expectation of recovering the contractual cash flows. When assessing the recoverability of the loans, the Group considers both quantitative and qualitative information and analysis relevant and available, based on the Group’s historical experience and credit risk assessment. As at 30 September 2021, none of the loans receivable were written off.

Internal control

In order to minimise credit risk, the Group maintains strict internal control over its money lending business. In addition to the Money Lending Team, the Group has designated a committee (the “**Money Lending Committee**”) comprising the board of directors of the subsidiaries engaged in the money lending business to oversee the money lending business and approve proposals of the Money Lending Team.

Upon the completion of credit assessment procedures, the Money Lending Team will propose loan terms, which include loan size, loan tenure, interest rate, guarantee and collateral, with reference to the prime lending rate offered by commercial banks, prevailing interest rates offered by other money lending institutions in the market and internal credit risk rating of the borrowers and ensure that the Company complies with the applicable rules and regulations. The proposed loans will then be passed to the Money Lending Committee for review and approval. The Money Lending Team is also responsible for the ongoing monitoring of the recoverability of the loans, which includes obtaining updates on the statuses of the loans receivable, borrowers and guarantors on a quarterly basis, and reporting significant findings to the Money Lending Committee. In case of overdue loans, the Money Lending Team will report to the Money Lending Committee and provide regular updates on a monthly basis on the progress of recovering the outstanding loans. The Money Lending Team will proactively contact the borrowers to understand the reasons for overdue repayments and assess the repayment ability of the borrowers by considering factors including but not limited to the business, financial and economic conditions that may affect the repayment ability of the borrowers; actual and expected financial performance and cashflows of the borrowers; and probability of the borrowers entering into bankruptcy or other financial reorganisation. After assessing the repayment ability of the borrowers, the Money Lending Team may choose to negotiate new repayment schedules with the borrowers if the underlying default risk is considered to be acceptable. For overdue cases which are considered to have significant default risk, the Money Lending Committee will engage external legal advisors to assist in issuing demand letters to borrowers demanding for repayment of the outstanding amount and advising the Company on (where necessary) the appropriate legal actions required for the enforcement of the loan repayment and collateral.

GRANT OF SHARE OPTIONS

Reference is made to page 29 of the Annual Report. Set out below is a table of the details of movements in the Share Options granted to the consultants of the Group (the “**Consultants**”) under the Share Option Scheme during the year ended 30 September 2021:

Consultants	Relationship with the Company	Number of Share Options				
		As at 1 October 2020	Granted during the Year	Lapsed/ Cancelled during the Year	Exercised during the Year	As at 30 September 2021
Win Bailey Company Limited	<i>Note 5</i>	—	55,000,000	—	—	55,000,000
Novaluca Limited	<i>Note 5</i>	—	50,000,000	—	—	50,000,000
Mr. Yip Lai Yin	<i>Note 6</i>	—	20,000,000	20,000,000	—	—
Mr. Lau Tak Kei	<i>Note 7</i>	—	20,000,000	—	—	20,000,000
Mr. Lui Kin Wah	<i>Note 7</i>	—	35,000,000	—	—	35,000,000
Mr. Tang Wan Lung	<i>Note 7</i>	—	35,000,000	—	—	35,000,000
Mr. Chan Wan Ho	<i>Note 7</i>	—	15,000,000	—	—	15,000,000
Mr. Lau Tsz Ho	<i>Note 7</i>	—	10,000,000	—	—	10,000,000
Jade House Global Limited	<i>Note 7</i>	—	5,000,000	—	—	5,000,000
Total		—	245,000,000	20,000,000	—	225,000,000

Notes:

1. Date of grant: 4 January 2021
2. Vesting and exercise period: From 4 January 2021 to 3 January 2031
3. Exercise price per share: HK\$0.78
4. Closing price per share immediately before date of grant: HK\$0.77
5. Consultants providing professional advice and assistance to the business development of the Group and assisting in sourcing funding for the Company from potential investors in the Middle East
6. Consultants providing professional advice and assistance to the business development of the Group and assisting in sourcing funding for the Company from potential investors in Europe
7. Consultants providing professional advice and assistance to the business development of the Group and assisting in sourcing funding for the Company from potential investors in the PRC

During the year ended 30 September 2021, 245,000,000 Share Options under the Share Option Scheme were granted to the Consultants who provided professional advice and assistance to the business development of the Group and assisted in sourcing funding for the Company from potential investors.

Given the capital intensive nature of the Group's mobility business which is a significant revenue contributor to the Group and the primary focus of its business development, the Board considered that it would be crucial to secure the services of the Consultants to assist the Company in raising additional funds to strengthen its financial position and financing future investment opportunities to further cement the Group's foothold in the NEV industry. The Board also considered that the grant of Share Options to the Consultants would (i) reward their respective contributions to the Group without the need of utilising internal funds; (ii) align their interests with that of the Group and the existing Shareholders; (iii) encourage them to maintain a long-term relationship of the Group, which may enhance stable development of the Group, and (iv) incentivise them to proactively look for promising investments opportunities and funding sources, which may in turn increase the Shareholders' value.

The above additional information does not affect other information contained in the Annual Report. Save as disclosed in this announcement, the contents of the Annual Report remain unchanged.

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

Hong Kong, 11 October 2022

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Ho King Fung, Eric (Chairman), Mr. Joseph Lee (Vice Chairman), Mr. Qi Zhenggang and Mr. Mirko Konta; two non-executive Directors, namely Mr. Freeman Hui Shen (Co-Chairman) and Mr. Wilfried Porth; and four independent non-executive Directors, namely Mr. Teoh Chun Ming, Mr. Peter Edward Jackson, Mr. Charles Matthew Pecot III and Ms. Hau Yan Hannah Lee.