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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 FIFTEEN MONTHS ENDED 31 DECEMBER 2022

Reference is made to the annual report of Apollo Future Mobility Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) for the fifteen months ended 31 December 2022 published on 27 April 2023 (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 the Group’s money lending business.

MONEY LENDING BUSINESS

Business model

The Company engages in money lending business through a wholly-owned subsidiary which holds a money lender’s licence in Hong Kong (“**Money Lending Segment**”) 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 31 December 2022, the Money Lending Segment had outstanding loans to three corporate borrowers and one individual borrower, with an average loan size of approximately HK\$47.9 million. There was no past due as at 31 December 2022. The loans receivable of the Money Lending Segment had loan tenure ranging from 1 year to 2 years and bore interest at rates ranging from 5% to 7.2% per annum. Certain loans receivable of the Money Lending Segment were secured by the pledge of properties and personal guarantees provided by certain independent third parties. Such borrowers were mainly referred to the Money Lending Segment by business partners and existing borrowers and were all independent third parties of the Company. The Money Lending Segment does not solicit borrowers publicly and only uses funds generated from its business operations to fund its Money Lending Segment.

The table below shows the list of borrowers of the loans receivable (net of loan impairment) of the Money Lending Segment as at 31 December 2022.

Borrowers as at 31 December 2022	Outstanding loan amount as at 31 December 2022 HK\$'000
Corporate borrowers	
Customer A	20,038
Customer B	22,498
Customer C	80,907
Individual borrower	
Customer D	<u>68,027</u>
	<u><u>191,470</u></u>

The aging analysis of the Money Lending Segment's loans receivables (net of loan impairment) is as follows:

	As at 31 December 2022 HK\$'000
Loans receivable repayable:	
Within one year	165,419
In the second year	<u>26,051</u>
	<u><u>191,470</u></u>

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 Segment further over time.

Credit risk assessment policy

The Money Lending Segment 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 31 December 2022, approximately 46.3% and 42.0% of the gross carrying amount of loans receivable were secured by personal guarantees and collateral, respectively.

Loan impairment assessment

As at 31 December 2022, the Money Lending Segment has provided an impairment allowance of approximately HK\$4,867,000 on the gross loans receivable of approximately HK\$196,337,000. 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 Money Lending Segment expects to receive, discounted at an approximation of the original effective interest rate. At each reporting date, the Money Lending Segment assesses whether the credit risk on the loans receivable has increased significantly since initial recognition. When making the assessment, the Money Lending Segment 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 Money Lending Segment 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 Money Lending Segment, the Valuer assisted the Group in estimating the amount of ECL of the loans receivables. The Valuer concluded that as at 31 December 2022, the loss allowance for approximately HK\$196,337,000 of the loans receivable should be measured based on 12-month ECLs and accordingly a total of approximately HK\$4,867,000 of ECL allowance was provided. The ECL allowance as at 30 September 2021 was approximately HK\$55,006,000. The decrease in the ECL allowance of approximately HK\$50,139,000 (representing a decrease of approximately 91.15%) as at 31 December 2022 was mainly due to the release of ECL allowance of approximately HK\$88,983,000 as the assets and liabilities of a subsidiary of the Company were classified as held for sale as at 31 December 2022.

The loans receivable of Money Lending Segment will be written off when the Money Lending Segment considers that there is no reasonable expectation of recovering the contractual cash flows. When assessing the recoverability of the loans, the Money Lending Segment considers both quantitative and qualitative information and analysis relevant and available, based on the Money Lending Segment’s historical experience and credit risk assessment. As at 31 December 2022, none of the loans receivable were written off.

Internal control

In order to minimise credit risk, the Money Lending Segment maintains strict internal control over its money lending business. In addition to the Money Lending Team, the Money Lending Segment has designated a committee (the “**Money Lending Committee**”) comprising the board of directors of the subsidiary 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.

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
Hui Chun Ying
Chairman

Hong Kong, 20 October 2023

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Hui Chun Ying (Chairman) and Mr. Joseph Lee (Vice Chairman); 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.