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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in KOALA Financial Group Limited (the “**Company**”), you should at once hand this circular with the accompanying proxy form to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



KOALA Financial Group Limited

樹熊金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8226)

**(1) POSSIBLE VERY SUBSTANTIAL DISPOSAL
MANDATE FOR DISPOSAL(S) OF LISTED SECURITIES;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the board of directors of KOALA Financial Group Limited (the “**Company**”) is set out on pages 3 to 12 of this circular. A notice convening the extraordinary general meeting (“**EGM**”) of the Company to be held at Units 01-02, 13th Floor, Everbright Centre, 108 Gloucester Road, Wan Chai, Hong Kong on Friday, 17 June 2022 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed in this circular. Such form of proxy is also published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.koala8226.com.hk.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the instrument appointing a proxy shall be deemed revoked.

PRECAUTIONARY MEASURES FOR THE EGM

Please see page iii of this circular for measures being taken to try to prevent and control the spread of the Novel Coronavirus (COVID-19) at the EGM, including:

- compulsory body temperature checks;
- wearing of a surgical face mask by each attendee;
- maintaining the required social distance between attendees; and
- no distribution of corporate gift or refreshment

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company strongly recommends Shareholders that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person.

31 May 2022

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CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

PRECAUTIONARY MEASURES FOR THE EGM

In light of the recent ongoing spread of Novel Coronavirus (COVID-19), the Company will implement the following precautionary measures at the EGM in order to protect the health and safety of all participants including the Shareholders, their proxies and other personnel (the “**Participants**”) in the EGM, including:

1. All Participants will subject to compulsory body temperature checks;
2. All Participants will be required to wear surgical face masks throughout the EGM;
3. Maintaining the required social distance between Participants;
4. All Participants in the EGM shall use sanitiser to sanitise their hands at least once when they enter into the EGM venue, and when they leave the EGM venue after the EGM;
5. No beverage and refreshment will be served either during or after the EGM to avoid close contacts of the Participants during their attendance; and
6. Other safety measures as appropriate.

Shareholders are reminded that any person who is subject to any Hong Kong Government prescribed quarantine, with fever or respiratory symptoms, with body temperature over 37.5 degree Celsius or does not wear a surgical face mask will be denied entry to the venue of the EGM and will not be allowed to attend the EGM.

Physical attendance by Shareholders at the EGM is not necessary for the Shareholders to exercise their voting rights. The Company strongly recommends Shareholders that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person. Shareholders who choose to do so should take action as soon as possible to ensure the proxy instructions reach the Company’s Hong Kong branch share registrar not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting thereof.

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change the EGM arrangements at short notice. Shareholders should check the websites of the Company (www.koala8226.com.hk) and the Stock Exchange (www.hkexnews.hk) for further announcements and updates on the EGM arrangements.

If Shareholders have any questions relating to the EGM, please contact Union Registrars Limited, the Company’s Hong Kong branch share registrar and transfer office as follows:

Address:

Suites 3301–04, 33/F., Two Chinachem Exchange Square,
338 King’s Road, North Point, Hong Kong

Telephone: (852) 2849 3399

Fax: (852) 2849 3319

DEFINITIONS

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

“Aerospace Technology”	Hong Kong Aerospace Technology Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1725)
“Aerospace Technology Group”	Aerospace Technology and its subsidiaries
“Aerospace Technology Share(s)”	share(s) of Aerospace Technology
“Announcement”	announcement of the Company dated 7 March 2022 in relation to, among others, the Disposal Mandate
“Approved Sale Shares”	up to 3,215,000 Aerospace Technology Shares
“Board”	the board of Directors
“Company”	KOALA Financial Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the GEM (stock code: 8226)
“Disposal(s)”	the proposed disposal(s) of up to 3,215,000 Aerospace Technology Shares by the Group under the Disposal Mandate
“Disposal Mandate”	the general and conditional mandate to be granted by the Shareholders to the Company at the EGM to dispose of up to 3,215,000 Aerospace Technology Shares during the Mandate Period
“Director(s)”	director(s) of the Company
“EGM”	extraordinary general meeting of the Company to be held and convened on Friday, 17 June 2022 for the purpose of considering and, if thought fit, approving the Disposal Mandate and the Disposal(s) contemplated thereunder
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) who is(are) independent of and not connected (within the meaning of the GEM Listing Rules) with the Company and its connected persons
“Latest Practicable Date”	26 May 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Main Board”	The Main Board of the Stock Exchange
“Mandate Period”	the period of 12-month from the date of passing of the relevant resolution(s) approving the Disposal Mandate and the Disposal(s) at the EGM
“Minimum Selling Price”	HK\$11.15 per Aerospace Technology Share
“PRC”	People’s Republic of China
“Seller”	Honest Smart Investment Limited, an indirect wholly-owned subsidiary of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.20 each in the capital of the Company
“Shareholder(s)”	holders of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

LETTER FROM THE BOARD



KOALA Financial Group Limited
樹熊金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8226)

Executive Directors:

Ms. Kwan Kar Ching (*Chairlady*)

Ms. Hsin Yi-Chin

Independent non-executive Directors:

Mr. Hung Cho Sing

Mr. Luk Kin Ting

Mr. Ng Wah Leung

Registered office:

Cricket Square

Hutchins Drive,

P.O. Box 2681,

Grand Cayman, KY1-1111,

Cayman Islands

Principal place of business in

Hong Kong:

Units 01–02, 13th Floor,

Everbright Centre,

108 Gloucester Road,

Wanchai,

Hong Kong

To the Shareholders

31 May 2022

Dear Sir or Madam,

**(1) POSSIBLE VERY SUBSTANTIAL DISPOSAL
MANDATE FOR DISPOSAL(S) OF LISTED SECURITIES;
AND
(2) NOTICE OF EGM**

INTRODUCTION

Reference is made to the Announcement.

The Company proposes to seek approval for the Disposal Mandate from the Shareholders at the EGM in advance to allow the Directors to dispose of up to 3,215,000 Aerospace Technology Shares, representing approximately 1.04% of the total number of issued shares of Aerospace Technology as at the Latest Practicable Date, during the Mandate Period. The Disposal(s) may constitute a very substantial disposal by the Company under Chapter 19 of the GEM Listing Rules and is subject to Shareholders' approval at the EGM.

The purpose of this circular is to give you further details of the Disposal(s), the Disposal Mandate, the notice of the EGM and such other information as required by the GEM Listing Rules.

LETTER FROM THE BOARD

THE POSSIBLE DISPOSAL(S) AND THE DISPOSAL MANDATE

Given the volatility of the stock market, disposing shares at the best possible prices requires prompt disposal actions at the right timing and it would not be practicable to seek prior Shareholders' approval for each disposal of Aerospace Technology Shares. To allow flexibility in effecting future disposals of Aerospace Technology Shares at appropriate time(s) and price(s) so as to maximise the returns to the Group, the Company proposes to seek approval for the Disposal Mandate from the Shareholders at the EGM in advance to allow the Directors to dispose of up to 3,215,000 Aerospace Technology Shares, representing approximately 1.04% of the total number of issued shares of Aerospace Technology as at the Latest Practicable Date, during the Mandate Period. The Disposal(s) will depend on a number of factors including but not limited to the then prevailing market sentiments and market conditions.

The Disposal Mandate shall be conditional upon the approval by the Shareholders at the EGM.

Details of the Disposal Mandate

The Disposal Mandate to be sought from the Shareholders at the EGM will be on the following terms:

1. *Mandate Period*

The Disposal Mandate is for the Mandate Period, i.e., a period of 12 months from the date of passing of the relevant ordinary resolution at the EGM.

2. *Maximum number of Aerospace Technology Shares to be disposed of*

The Disposal Mandate shall authorise and empower the Board to sell up to 3,215,000 Aerospace Technology Shares held by the Group, representing approximately 1.04% of the total number of issued shares of Aerospace Technology as at the Latest Practicable Date.

3. *Scope of Authority*

The relevant designated Directors shall be authorised and empowered to determine, decide, execute and implement with full discretion all matters relating to the Disposal(s), including but not limited to the number of batches of Disposal, the number of Aerospace Technology Shares to be sold in each Disposal and the timing of each Disposal.

4. *Manner of Disposal(s)*

The Disposal(s) shall be conducted (i) in the open market on the Stock Exchange to Independent Third Party(ies) through the trading system of the Stock Exchange; and/or (ii) in the off-market through block trade(s) by entering into placing agreement(s), to dispose of, in part or in whole, the Approved Sale Shares to third party purchaser(s), who and whose ultimate beneficial owner(s) are Independent Third Party(ies).

LETTER FROM THE BOARD

The selling price of the Aerospace Technology Shares shall be at the then market price(s) of the Aerospace Technology Shares at the relevant time, provided that:

- (i) each Disposal in the open market or off-market shall be at market price of no more than 20% discount to the average of the closing price as quoted on the Stock Exchange for the five (5) consecutive trading days immediately before the date of each Disposal during the Mandate Period; and
- (ii) the Minimum Selling Price of the Disposal(s) shall be no less than HK\$11.15 per Aerospace Technology Share.

Each Disposal will be subject to approval by at least one of the executive Directors. In respect of any Disposal in the open market, the Company will set a limit order or give instructions to brokers to set a limit order to ensure that transaction price for the relevant Disposal would be subject to the maximum 20% discount to the average closing price of the Aerospace Technology Shares for the five (5) consecutive trading days immediately prior to the date of the relevant Disposal(s).

The maximum 20% discount range has taken into consideration of market fluctuations and the disposal(s) of the Aerospace Technology Shares under the Disposal Mandate shall be subject to approval by at least one of the executive Directors to ensure that the disposal of the Aerospace Technology Shares would be at the best available price to the Company as at the time of relevant Disposal(s).

The Minimum Selling Price of HK\$11.15 per Aerospace Technology Share represents:

- (i) a discount of approximately 43.1% to the closing price of HK\$19.58 per Aerospace Technology Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 40.2% to the closing price on the trading day immediately prior to the date of the Announcement of HK\$18.66 per Aerospace Technology Share as quoted on the Stock Exchange;
- (iii) approximately 11.3 times of the net asset value of approximately HK\$0.99 per Aerospace Technology Share, calculated based on the unaudited net assets attributable to shareholders of Aerospace Technology of approximately RMB246,816,000 (equivalent to approximately HK\$306,051,840 based on the exchange rate of RMB1.00 to HK\$1.24) as at 30 June 2021 and 309,000,000 Aerospace Technology Shares in issue as at the Latest Practicable Date; and
- (iv) approximately 7.1 times of the net asset value of approximately HK\$1.57 per Aerospace Technology Share, calculated based on the audited net assets attributable to shareholders of Aerospace Technology of approximately RMB391,543,000 (equivalent to approximately HK\$485,513,320 based on the exchange rate of RMB1.00 to HK\$1.24) as at 31 December 2021 and 309,000,000 Aerospace Technology Shares in issue as at the Latest Practicable Date.

LETTER FROM THE BOARD

The Minimum Selling Price is determined with reference to (i) the average historical acquisition costs for 3,215,000 Aerospace Technology Shares of approximately HK\$1.34 per Aerospace Technology Share by the Group (the “**Historical Acquisition Costs**”); (ii) the net asset value as at 30 June 2021 of approximately HK\$0.99 per Aerospace Technology Share; (iii) the share price performance of Aerospace Technology as quoted on the Stock Exchange during the twelve months period from 1 March 2021 to 28 February 2022; and (iv) the prevailing market conditions and the uncertainty of global economy in light of the COVID-19 pandemic.

In respect of the daily closing price of the Aerospace Technology Shares during the twelve months period from 1 March 2021 to 28 February 2022, (i) the highest closing price was HK\$41.40 on 14 July 2021; and (ii) the lowest closing price was HK\$1.96 on 24 March 2021 and 25 March 2021, respectively.

The average daily trading volume of the Aerospace Technology Shares in the twelve months period from 1 March 2021 to 28 February 2022 was approximately 571,500 Aerospace Technology Shares. The maximum number of 3,215,000 Aerospace Technology Shares to be disposed of under the Disposal Mandate represents approximately 5.6 times of the average daily trading volume of the Aerospace Technology Shares during the said period.

Furthermore, the Directors consider that the Minimum Selling Price is beyond the net asset value as at 31 December 2021 of approximately HK\$1.57 per Aerospace Technology Share. Thus, the Directors are of the view that it is fair and reasonable to the Company.

In order to make the Aerospace Technology Shares held by the Group to be more attractive in block trade(s), the Directors consider that it is fair and reasonable for the Company to offer certain percentage of discount to the market price. Using the five-day average closing price of the Aerospace Technology Shares of approximately HK\$19.97 per Aerospace Technology Share as at the Latest Practicable Date, if the Aerospace Technology Shares are sold at 20% discount to the five-day average closing price of the Aerospace Technology Shares, the proposed selling price is approximately HK\$15.98.

The proposed maximum discount of 20% to the 5-day average closing price of the Aerospace Technology Shares will allow flexibility for the Group in disposing of the Aerospace Technology Shares within a reasonable price range (and promptly if needed in light of the volume of Aerospace Technology Shares held by the Group). On the other hand, the Minimum Selling Price (which is determined with reference to, among other factors, the Historical Acquisition Costs) will (i) allow flexibility for the Directors to accommodate fluctuations in market condition in the exercise of the Disposal Mandate and at the same time reflect the lowest acceptable price to dispose of the Aerospace Technology Shares; and (ii) safeguard the interests of the Company that the Aerospace Technology Shares would not be disposed of at a significant discount.

LETTER FROM THE BOARD

Whilst the Company will try to dispose of the Aerospace Technology Shares under the Disposal Mandate at the best available price to the Company, it is necessary for the Disposal Mandate to maintain flexibility. For instance, in the event that the market sentiments about the share price performance of Aerospace Technology and/or the market conditions are not favourable, there would be circumstances that the Company may have to dispose of the Aerospace Technology Shares at a discount to the previous market price.

Having considered the above, the Directors consider that the terms of the Disposal Mandate are fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

5. Compliance

The Disposal(s) shall comply with relevant applicable laws and regulations, including any applicable trading regulations of the Stock Exchange. The Company will also report on the progress of the Disposal(s) in the forthcoming annual report of the Company in compliance with the GEM Listing Rules. The Company will make appropriate announcement(s) in full compliance with the GEM Listing Rules in the event that the Disposals cannot be completed within the Mandate Period.

The Seller will effect the Disposal(s) in the open market or in the off-market through block trade(s) by entering into placing agreement(s) with licensed corporation(s) carrying out Type 1 (dealing in securities) regulated activity under the SFO as placing agent(s). Given the volatility of the stock market, whether the Disposal(s) are effected in the open market or in the off-market, the transactions would need to be completed within a very short period, hence it would not be practicable to seek prior Shareholders' approval for disposal(s) of the Aerospace Technology Shares when such approval is required under the GEM Listing Rules. For any block trade, the terms and conditions of the sale would be negotiated on an arm's length basis. It is expected that the purchasers of the Aerospace Technology Shares and their respective ultimate beneficial owners will be Independent Third Parties. In the event that any purchaser of the Aerospace Technology Shares is a connected person of the Company, the Company will comply with the announcement, reporting and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

INFORMATION OF AEROSPACE TECHNOLOGY

Aerospace Technology is a company incorporated in the Cayman Islands with limited liability. The Aerospace Technology Shares are listed on the Main Board of the Stock Exchange (stock code: 1725). According to the annual report of Aerospace Technology for the year ended 31 December 2021, Aerospace Technology Group is principally engaged in (i) the business of electronics manufacturing services which includes provision of design enhancement and verification, offering of technical advice and engineering solutions, raw materials selection and procurement, quality control, logistic and delivery and after-sale services to customers in respect of assembling and production of printed circuit board assemblies and fully-assembled electronic products and (ii) aerospace business, which includes (a) smart city with satellite big data applications and solutions; (b) satellite measurement and controlling; (c) satellite manufacturing; and (d) satellite launching.

LETTER FROM THE BOARD

Set out below is the audited consolidated financial information of Aerospace Technology for the years ended 31 December 2020 and 2021 extracted from the annual report of Aerospace Technology for the year ended 31 December 2021:

	For the year ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Revenue	650,230	547,825
Profit/(loss) before taxation	(46,957)	20,327
Profit/(loss) for the year	<u>(53,075)</u>	<u>17,323</u>
	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Total equity	<u>391,543</u>	<u>250,290</u>

INFORMATION OF THE GROUP AND THE SELLER

The Company is an investment holding company, whereas the Group is principally engaged in (i) securities brokerage, underwriting and placements; (ii) money lending; (iii) securities investment; and (iv) investment in properties.

The Seller is a company incorporated in Hong Kong with limited liability. It is an indirect wholly-owned subsidiary of the Company, and is principally engaged in provision of management services to members of the Group and securities investment.

REASONS FOR AND BENEFITS OF THE DISPOSAL(S)

As part of the securities investment business of the Group, the Group has been investing in Aerospace Technology since May 2019. Based on the closing price as at the Latest Practicable Date of HK\$19.58 per Aerospace Technology Share, the price of the Aerospace Technology Share has increased substantially as compared with the Historical Acquisition Costs. Having regard to the current market conditions and the uncertainty in the future global economy with the continuing COVID-19 pandemic, the Board decided to restructure its investment portfolio to allow the Group to reallocate the available funds of the Company for other reinvestment opportunities when they arise and to solidify the financial and cash position of the Group. The Disposal(s) will allow the Group to realise its investments and reallocate its financial resources to other business needs.

LETTER FROM THE BOARD

In view of the number of the Aerospace Technology Shares held by the Group and given the volatility of the stock market, disposing of the Aerospace Technology Shares at the best possible prices, whether in an open market or in the off-market, requires prompt disposal actions at the right timing and as the transactions would need to be completed within a very short period, it would not be practicable to seek prior Shareholders' approval for disposal(s) of the Aerospace Technology Shares when such approval is required under the GEM Listing Rules. To allow flexibility in effecting future disposal(s) of the Aerospace Technology Shares at appropriate time(s) and price(s) so as to maximise the returns to the Group, the Company proposes to seek approval for the Disposal Mandate and the Disposal(s) from the Shareholders at the EGM in advance to allow the Directors to dispose of up to 3,215,000 Aerospace Technology Shares during the Mandate Period. The Disposal(s) will be made with reference to the market prices of the Aerospace Technology Shares on open market. The Board is of the view that the Disposal Mandate and the Disposal(s) are conducted in the ordinary course of the Group's securities investment business and on normal commercial terms, and that the terms are fair, reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT AND USE OF PROCEEDS

Based on the closing price as at the Latest Practicable Date of HK\$19.58 per Aerospace Technology Share, the value of the 3,215,000 Aerospace Technology Shares was HK\$62,949,700.

The exact amount of the net proceeds from the Disposal(s) will be subject to the number of Aerospace Technology Shares being disposed of and the price at which they are sold. The Company intends to use the net proceeds from the Disposal(s) for development of the Group's existing businesses, in particular its securities brokerage business and money lending business.

The Company plans to develop its securities brokerage business by (i) enlarging the capacity of margin financing services by reserving more funds to customers who wish to purchase securities on a margin basis, and to offer margin loans to more customers and/or greater margin loan limits to existing customers; (ii) expanding customer network with a focus on high net worth and institutional customers; and (iii) collaboration with external brokers as to allow its customers to also trade securities listed on overseas exchanges. Furthermore, the development plan of its money lending business includes (a) improving customer awareness of its own brand – "Honest Smart Finance (傑誠財務)" and loan products by conducting marketing campaigns; (b) expansion of loan officer team and develop website to improve customer coverage, and (c) engaging various independent loan referral agents who will be responsible for introducing and referring potential borrowers with financing needs.

In the consolidated financial statements of the Company, all the Aerospace Technology Shares were classified as financial assets at fair value through profit or loss. The carrying amount of all the 3,215,000 Aerospace Technology Shares as at 31 December 2021 in the Company's consolidated financial statements was approximately HK\$87,930,000. For illustration purpose, on the assumption that all the 3,215,000 Aerospace Technology Shares currently held by the Group are to be disposed of with reference to the closing price as at the Latest Practicable Date of HK\$19.58 per Aerospace Technology Share, it is expected that the Group will record a loss in other comprehensive income of approximately HK\$24,980,300, subject to audit. Such loss represents the difference between (i) the estimated gross sale proceeds of approximately HK\$62,949,700 with reference to the closing price as at the Latest Practicable Date of HK\$19.58 per Aerospace Technology Share; and (ii) the carrying amount of all the 3,215,000

LETTER FROM THE BOARD

Aerospace Technology Shares as at 31 December 2021 of approximately HK\$87,930,000. Upon the settlement of such disposal, the assets of the Group will be reduced by HK\$87,930,000, being the carrying amount of all the 3,215,000 Aerospace Technology Shares, and increased by approximately HK\$62,949,700, being the gross sale proceeds from the disposal (excluding stamp duty and related expenses). Such disposal will have no effect on the Group's liabilities.

The actual gain/loss to be recognised by the Group as a result of the Disposal(s) depending upon the actual price(s) of the Disposal(s) of the Aerospace Technology Shares and will be subject to the final audit to be performed by the Company's auditor. The Group will exercise its endeavours to achieve the best available terms for the Disposal(s) but the price(s) of the Disposal(s) of the Aerospace Technology Shares shall be subject to market fluctuations of and market sentiments for the Aerospace Technology Shares. The Company will exercise its endeavour to achieve the best available price in disposing of the Aerospace Technology Shares at the time of execution of each Disposal.

GEM LISTING RULES IMPLICATION

As the Directors will seek to dispose of the Aerospace Technology Shares at the highest price possible at the relevant circumstances, one or more applicable percentage ratios of the Disposal(s) may exceed 75% and the Disposal(s) may constitute very substantial disposal on the part of the Company, and is subject to the reporting, announcement requirements and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. By way of illustration, assuming that all the 3,215,000 Aerospace Technology Shares held by the Group are being disposed of at a price above HK\$9.869 as at the Latest Practicable Date, one of the applicable percentage ratios of the Disposal(s) will exceed 75% and the Disposal(s) will constitute very substantial disposal on the part of the Company, and is subject to the reporting, announcement requirements and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. On that basis, the Company proposes to comply with the requirements applicable for the highest transaction classification of a very substantial disposal under Chapter 19 of the GEM Listing Rules.

Pursuant to Rule 19.68(2)(a)(i) of the GEM Listing Rules, for a circular issued in relation to a very substantial disposal, it is required that financial information of either (a) Aerospace Technology; or (b) the Group with Aerospace Technology being shown separately, to be included in the circular in relation to the Disposal(s), where such financial information must be reviewed by the Company's auditors or reporting accountants according to the relevant accounting standards as specified under Rule 19.68(2)(a)(i) of the GEM Listing Rules (the "**Rules Requirements**"). According to Note 2 to Rule 19.68(2)(a)(i) of the GEM Listing Rules, it provides that the Stock Exchange may be prepared to relax the Rules Requirements if the assets of Aerospace Technology are not consolidated in the accounts of the Group before the Disposal(s).

In the current case, the Company is proposing to dispose of equity capital in another listed company and hence Rule 19.68(2)(a) of the GEM Listing Rules would be applicable. However, as at the Latest Practicable Date, the Company only held a minority interest of approximately 1.04% in Aerospace Technology through the Seller, and the Group is merely a passive investor. The Group held its investments in Aerospace Technology as a financial asset at fair value through profit or loss and the financial results of Aerospace Technology have never been consolidated with the results of the Group. As such, it is impractical and unduly burdensome for the Company to prepare the financial information of

LETTER FROM THE BOARD

Aerospace Technology required under Rule 19.68(2)(a)(i) of the GEM Listing Rules and such information would be of minor importance only for the assessment of the impact of the subject transaction under the Disposal Mandate. Further, as a minority shareholder of Aerospace Technology, the Company cannot have access to the financial information of Aerospace Technology other than those disclosed to public by Aerospace Technology under the GEM Listing Rules. In other words, strict compliance with Rule 19.68(2)(a)(i) of the GEM Listing Rules would not be practicable or possible for the Company.

The Company considers that the omission of the financial information of Aerospace Technology required under Rule 19.68(2)(a)(i) of the GEM Listing Rules is not likely to mislead investors and/or the Shareholders. As a listed company in Hong Kong, the financial results of Aerospace Technology is publicly available under the relevant Listing Rules and the Shareholders and investors can make an informed assessment. In other words, there would be no other undue risks to the Shareholders and investors for not including the financial information of Aerospace Technology required under Rule 19.68(2)(a)(i) of the GEM Listing Rules.

As alternative disclosure, this circular in respect of the Disposal Mandate and the Disposal(s) has included and disclosed extracts of (i) the consolidated balance sheet; (ii) the consolidated statement of comprehensive income; (iii) the consolidated statement of cash flows; (iv) the consolidated statement of changes in equity of Aerospace Technology for the past three financial years ended 31 December 2021; and (v) the opinions of the independent auditor of Aerospace Technology.

Such published financial information for each of the years ended 31 December 2019, 2020 and 2021 have been reviewed by the independent auditor of Aerospace Technology. In the opinions of the independent auditor of Aerospace Technology as stated in the respective annual reports of Aerospace Technology, the consolidated financial statements for each of the years ended 31 December 2019, 2020 and 2021 give a true and fair view of the consolidated financial position of the Aerospace Technology Group and of the consolidated financial performance and cash flows of the Aerospace Technology Group for each of the years then ended. The independent auditor of Aerospace Technology has drawn attention to Note 2.1(a) to the consolidated financial statements for the year ended 31 December 2021 regarding material uncertainty related to going concern. Please refer to Appendix II of this circular for further details.

In this connection, the Company has applied to the Stock Exchange for a waiver from strict compliance with the Rules Requirements, and the Stock Exchange has granted a waiver to the Company from strict compliance with the Rules Requirements in this circular.

EGM

The EGM will be held at Units 01-02, 13th Floor, Everbright Centre, 108 Gloucester Road, Wan Chai, Hong Kong at 10:00 a.m. on Friday, 17 June 2022 for the Shareholders to consider and, if thought fit, pass the ordinary resolution for approving the Disposal Mandate. The resolution approving the Disposal Mandate will be conducted by way of poll at the EGM and an announcement on the results of the EGM will be made by the Company after the EGM.

LETTER FROM THE BOARD

For determining the entitlement to attend and vote at the EGM, the record date will be on Tuesday, 14 June 2022. In order to be eligible to attend and vote at the EGM, unregistered shareholders of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Tuesday, 14 June 2022.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has any material interest in the transactions contemplated under the Disposal Mandate. Accordingly, no Shareholder is required to abstain from voting at the EGM.

The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the instrument appointing a proxy shall be deemed revoked.

RECOMMENDATION

The Directors consider that the proposed resolution in relation to the Disposal Mandate to be put forward at the EGM is in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Disposal Mandate.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

WARNING

There is no assurance that the Company will proceed with the Disposal(s) after obtaining the Disposal Mandate. Whether and when the Company will proceed with the Disposal(s) or not will depend on a number of factors including without limitation the prevailing market sentiments and market conditions at the proposed time of executing the Disposal(s). The Shareholders and other public investors of the Company are therefore advised to exercise extreme caution when dealing in the Shares.

Yours faithfully
On behalf of the Board
KOALA Financial Group Limited
Kwan Kar Ching
Chairlady

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2021

Financial information of the Group for each of the three years ended 31 December 2019, 2020 and 2021 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.koala8226.com.hk).

- annual report of the Company for the year ended 31 December 2019 (pages 34 to 116): <https://www1.hkexnews.hk/listedco/listconews/gem/2020/0331/2020033100917.pdf>
- annual report of the Company for the year ended 31 December 2020 (pages 37 to 112): <https://www1.hkexnews.hk/listedco/listconews/gem/2021/0330/2021033000634.pdf>
- annual report of the Company for the year ended 31 December 2021 (pages 42 to 120): <https://www1.hkexnews.hk/listedco/listconews/gem/2022/0330/2022033002168.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 April 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of this circular, the Group had the following outstanding indebtedness:

(a) Other borrowings

Other borrowings of HK\$20 million as at 30 April 2022, which are non-interest bearing, unsecured, unguaranteed and repayable on demand.

(b) Lease payable

The Group leased a premise for office purpose. The Group had outstanding payments for the lease payable amounted to an aggregate of HK\$1.8 million as at 30 April 2022, which is unsecured and unguaranteed.

Save as aforesaid and apart from intra-group liabilities and normal accounts payable in the ordinary course of the business of the Group, as at the close of business on 30 April 2022, the Group did not have any (i) debt securities of the Group issued and outstanding, and authorised or otherwise created but unissued, and term loans, distinguishing between guaranteed, unguaranteed, secured (whether the security is provided by the issuer or by third parties) and unsecured; (ii) other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, distinguishing between guaranteed, unguaranteed, secured and unsecured borrowings and debt; (iii) any outstanding mortgages and charges; or (iv) any material contingent liabilities or guarantees.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that taking into account (i) the internal resources of the Group; (ii) the existing available borrowing facilities; (iii) the existing cash and cash equivalents; and (iv) the impact of the Disposals, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in securities brokerage, share placements, underwriting services and money lending service.

The outbreak of the 2019 Novel Coronavirus (“**COVID-19**”) affected the most on small and medium-sized securities firms. The government has been taking restrictive preventive measures to prevent the spread of the coronavirus, including but not limited to social distancing measures and border controls. These factors had (i) generally prolonged the timetable for IPOs and placing transactions as more time was required for professional parties to prepare and complete the relevant transaction procedures; (ii) impacted and hindered the Group’s ability to contact efficiently with issuers and relevant professional working parties (e.g. some of them are located in the PRC) to pitch for placing and underwriting deals; and (iii) increased the Group’s difficulty in promoting its securities brokerage business with existing customers or soliciting new customers and conducting account opening on a face-to-face basis. Despite this, the Group will continue to focus the efforts to expand the business by broadening the customer base and cultivate new clients for long term growth.

In order to increase the competitiveness and expand the services, the Group commenced its collaboration with external brokers in the second half of 2021 as to allow its customers to trade securities listed on overseas exchanges, such as the stock exchange in the United States, and possibly extend further to the Shanghai Stock Exchange and Shenzhen Stock Exchange as well. The Group will provide access to overseas trading systems operated by external brokers licensed in their respective jurisdictions via its telephone system or online trading platform. Since the Group has greatly improved the marketing, the number of new securities customers of the Group has been increasing. The Group will also reserve more funds for margining and short-term IPO financing purposes.

The outbreak of the COVID-19 had further worsened the economy, and heightened volatility and risks. The preventive measures imposed by the government to tackle the spread of the coronavirus had disrupted the operations of the Group’s money lending business, for example (i) increased difficulty in interacting or soliciting with customers on a face-to-face basis; and (ii) conducting proper and timely due diligence on the risk profile or collateral of the borrowers. The Group will continue to monitor the credit risk exposure of the Group and adopt a prudent and conservative approach in assessing and reviewing each of the borrowings.

The Group would also allocate resources to the asset management. Founded in 2017, KOALA Capital Management Limited is licensed to carry on Type 9 (Asset Management) regulated activity under the Securities and Futures Ordinance. Its objective is to generate good risk-adjusted absolute returns over the medium to long term for investors. Though the operation was at the start-up stage, the Group expect it could provide some sources of stable and diversified income over the long term.

Looking forward, the Group will continue to develop current businesses and at the same time proactively explore new business areas and seek suitable investment opportunities. Besides, the Group will continue to strictly control risks, strengthen internal management, integrate dominant resources and develop a cautious investment strategy in order to create a better return for the Shareholders.

6. MANAGEMENT DISCUSSION AND ANALYSIS

Reproduced below is the management discussion and analysis of the Group's operations for the financial years ended 31 December 2019, 2020 and 2021 respectively. The information reproduced below is principally extracted from various sections including but not limited to "Business Review" and "Financial Review" under the "Management Discussion and Analysis" section of the annual report of the Company for each of the three financial years ended 31 December 2021 to provide further information relating to the financial conditions and results of operations of the Group during the respective periods stated. Capitalised terms used in this section shall have the same meaning as those defined in the respective annual report. These extracted materials below were prepared prior to the date of this circular and speak as of the date they were originally published, representing the opinion and beliefs made by the then Directors at such time when the related annual report was issued.

(i) For the year ended 31 December 2019

BUSINESS REVIEW

During the year, the Group's businesses were organised in four operation's segments namely (i) Securities brokerage, underwriting and placements; (ii) Money lending; (iii) Securities investment and (iv) Investment in properties.

Securities Brokerage, Underwriting and Placements

In November 2016, the Group completed the acquisition of 80% equity interest in KOALA Securities Limited ("**KOALA Securities**"). As at 31 December 2019, KOALA Securities is licensed to carry on Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities under the SFO. The Group is optimistic about the market condition of the securities brokerage, share placements, underwriting services and other related businesses. The Group will continue to allocate resources to this business segment. The Board expects such segment will become one of the major growth drivers to the Group.

Revenue from this business segment during the year was approximately HK\$23.3 million, representing an decrease of approximately HK\$3.8 million as compared to approximately HK\$27.1 million in the corresponding year of 2018. It accounted for approximately 59.8% (2018: 65.2%) of the Group's revenue during the year.

Money Lending

In February 2016, the Group, through an indirect wholly-owned subsidiary of the Group, obtained a money lender's licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). In developing the Group's money lending business, the Group targets corporations and individuals with financing needs. The Group will only advance new loans to those borrowers whose have good financial credit rating and all overdue balances are reviewed regularly by the senior management. The Board remains optimistic about the growth potentials in the money lending market of Hong Kong, and will take measures accordingly to improve the overall operational efficiency and strengthen the revenue base.

During the year, the Group recorded loan interest income of approximately HK\$14.7 million (2018: HK\$14.0 million) from granting loans to both corporate and individual clients. It accounted for approximately 37.7% (2018: 33.5%) of the Group's revenue during the year. The outstanding principal amount of loan receivables as at 31 December 2019 was HK\$58.3 million (2018: HK\$52.8 million). During the year, the Group did not record any doubtful or bad debt in its money lending activities.

Securities Investment

This business activity started in the third quarter of 2015. The investment scope includes short-term investments in listed securities in Hong Kong and other recognised overseas securities markets as well as other related investment products offered by banks and financial institutions. The Board expects that this business activity can generate additional investment returns on available funds of the Company from time to time.

As at 31 December 2019, the Group managed a portfolio of listed equity investment with fair value of approximately HK\$47.8 million (2018: HK\$27.3 million) which are classified as held-for-trading investments. During the year, the Group recorded a loss on fair value change of listed equity investments of approximately HK\$4.5 million (2018: gain of approximately HK\$3.8 million) and a realised gain of approximately HK\$5.8 million (2018: loss of approximately HK\$0.8 million).

Details of the Group's held-for-trading investments are set out in the section headed "Significant Investments".

Investment in Properties

In the third quarter of 2016, the Group had acquired commercial properties for investment purpose. The properties are located in Hong Kong. It is currently leased by a listed company. The Group believes that these properties could generate stable rental income to the Group.

As at 31 December 2019, the fair value of the investment properties amounted to approximately HK\$19.6 million (2018: HK\$19.9 million).

During the year, the rental income was approximately HK\$0.6 million (2018: HK\$0.5 million). It accounted for approximately 0.9% of the Group's revenue during the year.

OUTLOOK AND PROSPECTS

The directors of the Group consider that the COVID-19 in early 2020 may affect the financial performance and position of the Group including the fair value changes of investment in securities, expected credit losses on loans receivables, impairment of goodwill and intangible assets so on. Meanwhile, due to the inherent nature and unpredictability of future development of the virus and market sentiment, the directors are still assessing the financial impact that COVID-19 will have on the consolidated financial statements of the Company as at the date that the consolidated financial statements are authorised for issue. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

FINANCIAL REVIEW

For the year ended 31 December 2019, the revenue of the Group decreased to approximately HK\$39.0 million (2018: HK\$41.6 million), representing a decrease of approximately 6.3% when compared with that of 2018. The reason for the decrease in turnover were mainly due to the decrease of the segmental turnover from the segment of securities brokerage, share placements, underwriting services from approximately HK\$27.1 million for the year ended 31 December 2018 to approximately HK\$23.3 million for the year.

During the year ended 31 December 2019, the Group's administrative expenses were approximately HK\$24.8 million (2018: HK\$25.0 million), which decreased approximately 0.8% as compared with the corresponding period of last year.

During the year ended 31 December 2019, the Group's finance costs amounted to approximately HK\$1.1 million (2018: HK\$3.4 million), representing a significant decrease of approximately 67.6%. The decrease in finance costs was mainly caused by a full conversion of convertible bonds by the bondholder on 30 May 2018.

Due to the above reasons, the Group recorded a net profit of approximately HK\$10.1 million for the year ended 31 December 2019, representing a decrease as compared with a net profit of approximately HK\$13.3 million for the same period of 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the year ended 31 December 2019, the Group's major business operations took place in Hong Kong, financed mainly by the revenue generated from operating activities, corporate borrowings and issuance of new shares. As at 31 December 2019, the Group had cash and bank balances of approximately HK\$98.6 million (2018: HK\$118.2 million).

As at 31 December 2019, the Group's total indebtedness comprised of corporate bonds of approximately HK\$17.2 million due on 29 September 2021 and 9 March 2022, respectively (2018: HK\$16.2 million).

As at 31 December 2019, the Group's outstanding number of issued shares of HK\$0.01 each was 2,783,359,958 shares (2018: 2,783,359,958 shares).

The Group's gearing ratio, as a percentage of total indebtedness over total indebtedness and total equity, as at 31 December 2019 was 6.0% (2018: 5.9%).

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have other material acquisitions and disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS

As at 31 December 2019, the Group held approximately HK\$47.8 million of equity investments which were classified as held for trading. Details of the significant investments are as follows:

			Approximate percentage of shares held to the total issued share capital of the company as at	Investment cost	Fair value gain/(loss)	Market value	Approximate percentage of held-for- trading investment	Approximate percentage to the net asset	Approximately percentage of the total assets of the Group
	Place of incorporation	Number of shares held	31 December 2019	HK\$'000	HK\$'000	HK\$'000	%	%	%
	Notes	'000	%						
Ban Loong Holdings Limited	1 Bermuda	10,000	0.2	3,388	(88)	3,300	6.9	1.2	0.9
EJE (Hong Kong) Holdings Limited	2 Cayman Islands	70,000	2.4	10,057	(4,057)	7,770	16.3	2.9	2.1
Eternity Technology Holdings Limited	3 Cayman Islands	3,000	1	3,942	2,598	6,540	13.7	2.4	1.7
Hands Form Holdings Limited	4 Cayman Islands	24,430	0.9	4,445	270	4,715	9.9	1.8	1.2
Hong Kong Education (Int'l) Investments Limited	5 Cayman Islands	9,600	1.8	7,556	124	7,680	16.1	2.9	2.0
Shineroad International Holdings Limited	6 Cayman Islands	9,956	1.5	4,715	163	4,878	10.2	1.8	1.3
Others	N/A			22,952	(3,472)	12,915	27.0	4.8	3.4
				<u>57,055</u>	<u>(4,462)</u>	<u>47,798</u>	<u>100</u>	<u>17.8</u>	<u>12.6</u>

Notes:

- Ban Loong Holdings Limited (stock code: 30) is principally engaged in money lending business and trading of goods and commodities. No dividend was received during the year. According to the latest published financial statements of Ban Loong Holdings Limited, it had net asset value of approximately HK\$776.1 million as at 30 September 2019.
- EJE (Hong Kong) Holdings Limited (stock code: 8101) is principally engaged in (i) manufacture of custom-made furniture; (ii) property investment; (iii) securities investment; (iv) money lending; and (v) the design, manufacture and sale of mattress and soft bed products. No dividend was received during the year. According to the latest published financial statements of EJE (Hong Kong) Holdings Limited, it had net asset value of approximately HK\$279.8 million as at 30 September 2019.
- Eternity Technology Holdings Limited (stock code: 1725) is principally engaged in the business of electronics manufacturing services. No dividend was received during the year. According to the latest published financial statements of Eternity Technology Holdings Limited, it had net asset value of approximately RMB227.1 million as at 30 June 2019.

4. Hands Form Holdings Limited (stock code: 1920) is principally engaged in the provision of wet trades works and other wet trades related ancillary works. No dividend was received during the year. According to the latest published financial statements of Hands Form Holdings Limited, it had net asset value of approximately HK\$92.3 million as at 30 June 2019.
5. Hong Kong Education (Int'l) Investments Limited (stock code: 1082) is principally engaged in the provision of private educational services, investment in securities and money lending business. No dividend was received during the year. According to the latest published financial statements of Hong Kong Education (Int'l) Investments Limited, it had net asset value of approximately HK\$218.2 million as at 30 June 2019.
6. Shineroad International Holdings Limited (stock code: 1587) is principally engaged in the distribution of food additives. No dividend was received during the year. According to the latest published financial statements of Shineroad International Holdings Limited, it had net asset value of approximately RMB287.1 million as at 30 June 2019.

In view of the recent volatile in the securities market, the Board will adopt cautious measures to manage the Group's investment portfolio with an aim to provide positive return to the Group in the near future.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant capital commitments (2018: Nil).

FOREIGN EXCHANGE EXPOSURE

During the year under review, the Group's transactions were mainly denominated in Hong Kong dollars. The Board do not consider that the Group was significantly exposed to any foreign currency exchange risk.

PLEDGE OF ASSETS

As at 31 December 2018 and 2019, the Group did not have any substantial pledge of assets.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2019, the Group had about 24 (2018: 30) employees. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits scheme contribution amounted to approximately HK\$13.4 million (2018: HK\$11.9 million).

The Group believes that its staff is one of the Group's most important assets. Aiming at providing competitive salary packages, the Group adjusts employees' salary level in close association with the performance, qualifications and experience of individual staff as well as labour market conditions. In addition to the regular remuneration, discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance. The Group is also committed to providing appropriate on-going training to staff members to equip them for future career development.

(ii) For the year ended 31 December 2020**BUSINESS REVIEW**

During the year, the Group's businesses were organised in four operation's segments namely (i) Securities brokerage, underwriting and placements; (ii) Money lending; (iii) Securities investment and (iv) Investment in properties.

Securities Brokerage, Underwriting and Placements

In November 2016, the Group completed the acquisition of 80% equity interest in KOALA Securities Limited ("KOALA Securities"). As at 31 December 2020, KOALA Securities is licensed to carry on Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities under the SFO. The Group is optimistic about the market condition of the securities brokerage, share placements, underwriting services and other related businesses. The Group will continue to allocate resources to this business segment. The Board expects such segment will become one of the major growth drivers to the Group.

Revenue from this business segment during the year was approximately HK\$12.4 million, representing a decrease of approximately HK\$10.9 million as compared to approximately HK\$23.3 million in the corresponding year of 2019. It accounted for approximately 53.0% (2019: 59.8%) of the Group's revenue during the year.

Money Lending

In February 2016, the Group, through an indirect wholly-owned subsidiary of the Group, obtained a money lender's licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). In developing the Group's money lending business, the Group targets corporations and individuals with financing needs. The Group will only advance new loans to those borrowers whose have good financial credit rating and all overdue balances are reviewed regularly by the senior management. The Board remains optimistic about the growth potentials in the money lending market of Hong Kong, and will take measures accordingly to improve the overall operational efficiency and strengthen the revenue base.

During the year, the Group recorded loan interest income of approximately HK\$10.4 million (2019: HK\$14.7 million) from granting loans to both corporate and individual clients. It accounted for approximately 44.4% (2019: 37.7%) of the Group's revenue during the year. The outstanding principal amount of loans and interests receivable as at 31 December 2020 was HK\$48.2 million (2019: HK\$58.3 million). During the year, the Group did not record any doubtful or bad debt in its money lending activities.

Securities Investment

This business activity started in the third quarter of 2015. The investment scope includes short-term investments in listed securities in Hong Kong and other recognised overseas securities markets as well as other related investment products offered by banks and financial institutions. The Board expects that this business activity can generate additional investment returns on available funds of the Company from time to time.

As at 31 December 2020, the Group managed a portfolio of listed equity investment with fair value of approximately HK\$41.2 million (2019: HK\$47.8 million) which are classified as held-for-trading investments. During the year, the Group recorded a loss on fair value change of listed equity investments of approximately HK\$6.7 million (2019: loss of approximately HK\$4.5 million) and a realised gain of approximately HK\$8.7 million (2019: gain of approximately HK\$5.8 million).

Details of the Group's held-for-trading investments are set out in the section headed "Significant Investments".

Investment in Properties

In the third quarter of 2016, the Group had acquired commercial properties for investment purpose. The properties are located in Hong Kong. It is currently leased by a listed company. The Group believes that these properties could generate stable rental income to the Group.

As at 31 December 2020, the fair value of the investment properties amounted to approximately HK\$19.3 million (2019: HK\$19.6 million).

During the year, the rental income was approximately HK\$0.6 million (2019: HK\$0.6 million). It accounted for approximately 2.6% (2019: 1.4%) of the Group's revenue during the year.

OUTLOOK AND PROSPECTS

The directors of the Group consider that the outbreak of the COVID-19 in early 2020 may affect the financial performance and position of the Group including the fair value changes of investment in securities, expected credit losses on loans and interests receivable, impairment of goodwill and intangible assets so on. Meanwhile, due to the inherent nature and unpredictability of future development of the virus and market sentiment, the directors are still assessing the financial impact that COVID-19 will have on the consolidated financial statements of the Company as at the date that the consolidated financial statements are authorised for issue. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

FINANCIAL REVIEW

For the year ended 31 December 2020, the revenue of the Group decreased to approximately HK\$23.4 million (2019: HK\$39.0 million), representing a decrease of approximately 40% when compared with that of 2019. The reason for the decrease in turnover was mainly due to the recent outbreak of the COVID-19 and Hong Kong political uncertainty, which led to the decrease in segmental revenue from securities related business and money lending business.

For the year ended 31 December 2020, the Group recorded a realised gain on sale of listed securities of approximately HK\$8.7 million as compared to the gain of approximately HK\$5.8 million for the same corresponding period in 2019.

For the year ended 31 December 2020, the Group recorded an unrealised loss on listed securities of approximately HK\$6.7 million as compared to the loss of approximately HK\$4.5 million for the same corresponding period in 2019.

For the year ended 31 December 2020, the Group's administrative expenses were approximately HK\$16.3 million (2019: HK\$24.8 million), which decreased approximately 34.3% as compared with the corresponding period of last year. The reason for the decrease in administrative expenses was mainly due to the decrease of the staff cost from approximately HK\$13.4 million to approximately HK\$7.1 million.

Due to the above reasons, the Group recorded a net profit of approximately HK\$5.0 million for the year ended 31 December 2020, representing a decrease as compared with a net profit of approximately HK\$10.1 million for the same period of 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the year ended 31 December 2020, the Group's major business operations took place in Hong Kong, financed mainly by the revenue generated from operating activities, corporate borrowings and issuance of new shares. As at 31 December 2020, the Group had cash and bank balances of approximately HK\$126.1 million (2019: HK\$98.6 million).

As at 31 December 2020, the Group's total indebtedness comprised of corporate bonds payable of approximately HK\$18.2 million due on 29 September 2021 and 9 March 2022, respectively (2019: HK\$17.2 million) and other borrowing of HK\$11.0 million (2019: Nil)). The other borrowing amounted to HK\$11 million was made by a third party during the year which was unsecured and carried interest at 11% per annum and due within one year.

As at 31 December 2020, the Group's outstanding number of issued shares of HK\$0.01 each was 2,783,359,958 shares (2019: 2,783,359,958 shares).

The Group's gearing ratio, as a percentage of total indebtedness over total indebtedness and total equity, as at 31 December 2020 was 9.7% (2019: 6.0%).

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have other material acquisitions and disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS

As at 31 December 2020, the Group held approximately HK\$41.2 million of equity investments which were classified as held for trading. Details of the significant investments are as follows:

	Notes	Place of incorporation	Number of shares held '000	Approximate percentage of shares held to the total issued share capital of the company as at 31 December 2020 %	Investment cost HK\$'000	Fair value gain/ (loss) HK\$'000	Market value HK\$'000	Approximate percentage of held-for-trading investment %	Approximate percentage to the net asset %	Approximately percentage of the total assets of the Group %
EJE (Hong Kong) Holdings Limited	1	Cayman Islands	6,996	2.4	10,051	(4,511)	3,253	7.9	1.2	0.8
Eternity Technology Holdings Limited	2	Cayman Islands	3,045	1.0	4,002	(2,641)	3,959	9.6	1.5	1.0
Hands Form Holdings Limited	3	Cayman Islands	24,890	0.9	4,511	(675)	4,107	10.0	1.5	1.0
Hong Kong Education (Int'l) Investments Limited	4	Cayman Islands	9,472	1.6	7,453	4,831	12,408	30.1	4.6	3.0
Shineroad International Holdings Limited	5	Cayman Islands	10,680	1.6	5,063	(1,862)	3,364	8.1	1.2	0.8
Others		N/A			21,236	(1,354)	14,155	34.3	5.2	3.4
					<u>52,316</u>	<u>(6,212)</u>	<u>41,246</u>	<u>100</u>	<u>15.2</u>	<u>9.9</u>

Notes:

1. EJE (Hong Kong) Holdings Limited (stock code: 8101) is principally engaged in (i) manufacture of custom-made furniture; (ii) property investment; (iii) securities investment; (iv) money lending; and (v) the design, manufacture and sale of mattress and soft bed products. No dividend was received during the year. According to the latest published financial statements of EJE (Hong Kong) Holdings Limited, it had net asset value of approximately HK\$367.3 million as at 30 September 2020.
2. Eternity Technology Holdings Limited (stock code: 1725) is principally engaged in the business of electronics manufacturing services. No dividend was received during the year. According to the latest published financial statements of Eternity Technology Holdings Limited, it had net asset value of approximately RMB238.2 million as at 30 June 2020.

3. Hands Form Holdings Limited (stock code: 1920) is principally engaged in the provision of wet trades works and other wet trades related ancillary works. No dividend was received during the year. According to the latest published financial statements of Hands Form Holdings Limited, it had net asset value of approximately HK\$232.4 million as at 30 June 2020.
4. Hong Kong Education (Int'l) Investments Limited (stock code: 1082) is principally engaged in the provision of private educational services, investment in securities and money lending business. No dividend was received during the year. According to the latest published financial statements of Hong Kong Education (Int'l) Investments Limited, it had net asset value of approximately HK\$107.9 million as at 30 June 2020.
5. Shineroad International Holdings Limited (stock code: 1587) is principally engaged in the distribution of food additives. No dividend was received during the year. According to the latest published financial statements of Shineroad International Holdings Limited, it had net asset value of approximately RMB312.8 million as at 30 June 2020.

In view of the recent volatile in the securities market, the Board will adopt cautious measures to manage the Group's investment portfolio with an aim to provide positive return to the Group in the near future.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant capital commitments (2019: Nil).

FOREIGN EXCHANGE EXPOSURE

During the year under review, the Group's transactions were mainly denominated in Hong Kong dollars. The Board do not consider that the Group was significantly exposed to any foreign currency exchange risk.

PLEDGE OF ASSETS

As at 31 December 2019 and 2020, the Group did not have any substantial pledge of assets.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2020, the Group had about 20 (2019: 24) employees. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits scheme contribution amounted to approximately HK\$7.1 million (2019: HK\$13.4 million).

The Group believes that its staff is one of the Group's most important assets. Aiming at providing competitive salary packages, the Group adjusts employees' salary level in close association with the performance, qualifications and experience of individual staff as well as labour market conditions. In addition to the regular remuneration, discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance. The Group is also committed to providing appropriate on-going training to staff members to equip them for future career development.

(iii) For the year ended 31 December 2021

BUSINESS REVIEW

During the year, the Group's businesses were organised in four operation's segments namely (i) Securities Brokerage Business; (ii) Money Lending Business; (iii) Securities Investment Business and (iv) Properties Investment Business.

Securities Brokerage Business

The Group carries out the securities brokerage business through its subsidiary, namely KOALA Securities Limited (樹熊證券有限公司) ("KOALA Securities"), which is to conduct Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities under the Securities and Futures Ordinance ("SFO"). KOALA Securities possesses the right to be eligible to trade on or through the Stock Exchange and is a participant of the Hong Kong Securities Clearing Company Limited.

Founded in 2015, KOALA Securities is a well-established integrated securities broker in the Hong Kong financial services industry. It primarily provides (i) brokerage services, (ii) margin and short-term IPO financing, and (iii) placing and underwriting services to its customers.

The revenue breakdown for the years ended 31 December 2020 and 2021 are as follows:

	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from brokerage services	2,463	3,767
Revenue from margin financing	5,121	6,247
Revenue from placing and underwriting	4,799	9,162
	<u>12,383</u>	<u>19,175</u>

With a view to further improving the revenue from the brokerage and margin financing services, during the year, the Group has enlarged the capacity of the margin financing service by reserving more funds to customers who wish to purchase securities on a margin basis. The Board expects this segment will become one of the major growth drivers to the Group.

Revenue from this business segment during the year was approximately HK\$19.2 million, representing an increase of approximately HK\$6.8 million as compared to approximately HK\$12.4 million in the corresponding period of 2020. It accounted for approximately 74.1% (2020: 53.0%) of the Group's revenue during the year.

Money Lending Business

The Group carries out the money lending business through its wholly-owned subsidiary, namely Honest Smart Finance Limited (傑誠財務有限公司) (“**Honest Smart Finance**”). It is a money lender licenced in Hong Kong under the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

In developing the money lending business, Honest Smart Finance provides various loan products to borrowers, which mainly include:

- (a) Personal loans, which are offered to individual customers to meet their personal financial needs; and
- (b) Corporate loans, which are offered to corporate customers to fulfill their short and long term capital needs.

The borrowers’ breakdown for the years ended 31 December 2020 and 2021 are as follows:

	2020	2021
Personal loans		
Number of personal loans (per person)	12	14
Outstanding principal of personal loans (millions)	34.9	25.1
Range of interest rates (per annum)	4% – 36%	4% – 36%
	<u> </u>	<u> </u>
Corporate loans		
Number of corporate loans (per company)	3	4
Outstanding principal of corporate loans (millions)	13.3	7.7
Range of interest rates (per annum)	12% – 36%	12% – 36%
	<u> </u>	<u> </u>

Honest Smart Finance will only advance new loans to those borrowers whose have good financial credit rating and all overdue balances are reviewed regularly by its senior management.

The outbreak of the coronavirus had further worsened the economy, and heightened volatility and risks. Honest Smart Finance has adopted more cautious and prudent approach in the assessments and approval of new loans or renewal of existing loans in order to mitigate its credit risk.

During the year, the Group recorded loan interest income of approximately HK\$6.3 million (2020: HK\$10.4 million) from granting loans to both corporate and individual clients. It accounted for approximately 24.3% (2020: 44.4%) of the Group's revenue during the year. The loans and interests receivable as at 31 December 2021 was HK\$37.4 million (2020: HK\$49.2 million). During the year, an impairment loss of approximately HK\$5.0 million (2020: HK\$nil) were prudently made in its money lending activities after reviewing the relevant borrowers' financial positions.

Details of the Group's loans receivables are stated in as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loans and interests receivable thereon		
– within one year	24,886	48,679
– in the second to fifth years	7,513	529
	32,399	49,208
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Analysed for reporting as:		
Non-current asset	7,513	529
Current assets	24,886	48,679
	32,399	49,208
Movements during the year are as follows:		
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At beginning of the year	49,208	63,550
Loans made by the Group	15,200	16,300
Impairment loss recognised	(5,000)	–
Interests on loans and interests receivable recognised	6,280	10,370
Loans and interests repaid	(33,289)	(41,012)
At end of the year	32,399	49,208

Details of the loans and interests receivable as at 31 December 2021 are as follows:

Name of customer	Loan principal amount HK\$'000	Interest rate	Maturity date	Security pledged	Type of loans (Personal loans/ Corporate loans)	New loan/ loan renewal
Customer A	1,900	36% per annum	14 August 2021 (note b(i))	Nil	Personal	Renewal
Customer B	1,720	12% per annum	5 September 2021 (note b(ii))	Nil	Corporate	Renewal
Customer E	1,741	6% per annum	10 January 2022	Nil	Personal	Renewal
Customer F	2,560	12% per annum	26 February 2021	Nil	Personal	Renewal
Customer G	1,790	24% per annum	28 February 2022	Nil	Personal	Renewal
Customer H	2,000	6% per annum	27 March 2022	Nil	Personal	Renewal
Customer K	252	12% per annum	18 August 2021	(Note c)	Personal	Renewal
Customer L	3,120	10% per annum	6 November 2021 (Note b(iii))	Nil	Personal	Renewal
Customer N	3,000	36% per annum	21 December 2021	(Note d)	Corporate	Renewal
Customer O	507	4% per annum	2 July 2024	(Note e)	Personal	Renewal
Customer P	1,000	8% per annum	29 November 2022	Nil	Personal	New Loan
Customer Q	2,700	14% per annum	19 April 2023	Nil	Corporate	New Loan
Customer R	2,000	16% per annum	23 June 2022	Nil	Personal	New Loan
Customer S	2,000	16% per annum	25 June 2022	Nil	Personal	New Loan
Customer T	2,000	16% per annum	30 June 2022	Nil	Personal	New Loan
Customer U	2,000	8% per annum	2 September 2023	Nil	Personal	New Loan
Customer V	1,000	8% per annum	28 September 2023	Nil	Personal	New Loan
Customer W	1,500	8% per annum	15 October 2023	Nil	Personal	New Loan
	<u>32,790</u>					

Details of the loans and interests receivables as at 31 December 2020 are as follows:

Name of customer	Loan principal amount HK\$'000	Interest rate	Maturity date	Security pledged	Type of loans (Personal loans/ Corporate loans)	New loan/ loan renewal
Customer A	9,000	36% per annum	14 August 2020 (note b(i))	Nil	Personal	Renewal
Customer B	10,000	30% per annum	5 September 2020 (note b(ii))	Nil	Corporate	Renewal
Customer C	1,300	12% per annum	18 November 2020 (note b(iv))	Nil	Personal	Renewal
Customer D	2,000	12% per annum	8 January 2021	Nil	Personal	New loan
Customer E	2,700	12% per annum	10 January 2021	Nil	Personal	Renewal
Customer F	4,000	12% per annum	26 February 2021	Nil	Personal	Renewal
Customer G	3,500	24% per annum	28 February 2021	Nil	Personal	Renewal
Customer H	2,000	6% per annum	27 March 2021	Nil	Personal	Renewal
Customer I	2,000	12% per annum	15 April 2021	Nil	Personal	New loan
Customer J	3,000	12% per annum	17 June 2021	Nil	Personal	New loan
Customer K	310	12% per annum	18 August 2021	(Note c)	Corporate	Renewal
Customer L	3,120	10% per annum	6 November 2021	Nil	Personal	Renewal
Customer M	1,500	24% per annum	12 November 2021	Nil	Personal	Renewal
Customer N	3,000	36% per annum	21 December 2021	(Note d)	Corporate	New loan
Customer O	722	4% per annum	2 July 2024	(Note e)	Personal	New loan
	<u>48,152</u>					

Notes:

- (a) Loans and interests receivable are to be settled by the borrowers at the respective maturity dates.
- (b) The loans and interests receivable as at 31 December 2021 and 2020 are not yet past due as at that date except the following:
 - (i) The loan receivable with the principal amount of HK\$1,900,000 past due as at 31 December 2021 was repaid with amount of HK\$2,116,000 together with the outstanding interest in March 2022 and in process of renewal negotiation.

The loan receivable with the principal amount of HK\$9,000,000 past due as at 31 December 2020 was repaid with amount of HK\$7,200,000 in March of 2021 and in process of renewal negotiation.
 - (ii) The loan receivable with the principal amount HK\$1,720,000 past due as at 31 December 2021 was repaid with amount of HK\$1,640,000 in March 2022 and in process of renewal negotiation.

The loan receivable with the principal amount of HK\$10,000,000 past due as at 31 December 2020 was repaid with amount of HK\$8,000,000 in March 2021 and in process of renewal negotiation.
 - (iii) The loan receivable with the principal amount of HK\$3,120,000 past due as at 31 December 2021 was repaid with amount of HK\$3,000,000 in March 2022 and in process of renewal negotiation.
 - (iv) The loan receivable with the principal amount of HK\$1,300,000 past due as at 31 December 2020 was repaid in full in January 2021.
- (c) The loan is secured by personal guarantee of the borrower.
- (d) The loan is secured by guarantee given by the director of the corporate borrower.
- (e) The loan is secured by pledge of a motor vehicle.

The loans and interests receivable as at 31 December 2021 and 31 December 2020 were assessed by the management of their expected credit losses on an individual basis with reference to the assessment conducted by B.I. Appraisals Limited, which is an independent qualified professional valuers with recognised qualifications and experience. The measurement of such losses is based on accounting policy. The expected credit losses of the loans and interests receivable in respect of the current year is estimated to be HK\$5,000,000 (2020: HK\$Nil) which was charged to profit or loss and included in other income, gains and losses.

Securities Investment Business

The Group commenced the securities investment business in the third quarter of 2015. The investment scope includes short-term investments in listed securities in Hong Kong and other recognised overseas securities markets as well as other related investment products offered by banks and financial institutions, with the goal to generate additional investment returns on available funds of the Company from time to time.

The investment in Hong Kong Aerospace Technology Group Limited (formerly known as Eternity Technology Holdings Limited) (stock code: 1725) has been making a tremendous result. There is an unrealised gain from such investment by the Company of approximately HK\$83.7 million as at 31 December 2021. Having regard to the current market conditions, the Board decided to realise this investment in the upcoming future so as to maximize the returns to the Group.

As at 31 December 2021, the Group managed a portfolio of listed equity investment with fair value of approximately HK\$126.4 million (2020: HK\$41.2 million) which are classified as held-for-trading investments. During the year, the Group recorded a gain on fair value change of listed equity investments of approximately HK\$85.3 million (2020: loss of approximately HK\$6.7 million) and a realised gain of approximately HK\$11.1 million (2020: gain of approximately HK\$8.7 million).

Details of the Group's held-for-trading investments are set out in the section headed "Significant Investments".

Properties Investment Business

In the third quarter of 2016, the Group had commenced its properties investment business and acquired certain commercial property in Hong Kong for investment purpose. The Group may lease out its investment properties for recurring rental income, which generates stable rental income to the Group.

In order to further expand the portfolio of investment properties of the Group, the Board is proactively identifying suitable commercial properties in Hong Kong, while it is also seeking the opportunities to expand the coverage to retail and industrial properties in Hong Kong, so as to diversify its investment properties portfolio.

As at 31 December 2021, the fair value of the investment properties amounted to approximately HK\$18.5 million (2020: HK\$19.3 million).

During the year, the rental income was approximately HK\$0.4 million (2020: HK\$0.6 million). It accounted for approximately 1.6% (2020: 2.6%) of the Group's revenue during the year.

OUTLOOK AND PROSPECTS

The directors of the Group consider that the outbreak of the COVID-19 in early 2020 may affect the financial performance and position of the Group including the fair value changes of investment in securities, expected credit losses on loans and interests receivable, impairment of goodwill and intangible assets so on. Meanwhile, due to the inherent nature and unpredictability of future development of the virus and market sentiment, the directors are still assessing the financial impact that COVID-19 will have on the consolidated financial statements of the Company as at the date that the consolidated financial statements are authorised for issue. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

FINANCIAL REVIEW

For the year ended 31 December 2021, the revenue of the Group increased to approximately HK\$25.9 million (2020: HK\$23.4 million), representing an increase of approximately 10.7% when compared with that of 2020. The reason for the increase in turnover was primarily attributable to the increase of segmental turnover from the securities brokerage business from approximately HK\$12.4 million for the last year to approximately HK\$19.2 million for this year.

For the year ended 31 December 2021, the Group recorded a realised gain on sale of listed securities of approximately HK\$11.1 million as compared to the gain of approximately HK\$8.7 million for the same corresponding period in 2020.

For the year ended 31 December 2021, the Group recorded an unrealised gain on listed securities of approximately HK\$85.3 million as compared to the loss of approximately HK\$6.7 million for the same corresponding period in 2020. The significant increase was mainly caused by an unrealised gain from the investment in Hong Kong Aerospace Technology Group Limited (stock code: 1725) of approximately HK\$83.7 million. Provision for taxation of approximately HK\$13.8 million on such gain was made during the year.

For the year ended 31 December 2021, the Group recorded prudently an impairment loss of approximately HK\$5.0 million (2020: HK\$nil) on some particular borrowers on a prudent basis after reviewing their financial positions.

Due to the above reasons, the Group recorded a net profit of approximately HK\$82.7 million for the year ended 31 December 2021, representing an increase as compared with a net profit of approximately HK\$5.0 million for the same period of 2020.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the year ended 31 December 2021, the Group's major business operations took place in Hong Kong, financed mainly by the revenue generated from operating activities, corporate borrowings and issuance of new shares. As at 31 December 2021, the Group had cash and bank balances of approximately HK\$123.5 million (2020: HK\$126.1 million).

As at 31 December 2021, the Group's total indebtedness comprised of corporate bonds payable of approximately HK\$9.9 million due on 9 March 2022 (2020: HK\$18.2 million) and other borrowing of HK\$10 million (2020: HK\$11 million). The aforesaid other borrowing of HK\$10 million refers to the corporate bonds due on 29 September 2021, with the principal amount of HK\$10,000,000, which was due for repayment, accordingly such corporate bond was reclassified to other borrowing.

Pursuant to an ordinary resolution passed in the extraordinary general meeting of the Company on 18 March 2021, every twenty issued and unissued shares of the Company of HK\$0.01 each were consolidated into one consolidated share of the Company of HK\$0.2 each with effective on 22 March 2021.

As at 31 December 2021, the Group's outstanding number of issued shares of HK\$0.20 each was 139,167,997 shares (2020: 2,783,359,958 shares of HK\$0.01 each).

The Group's gearing ratio, as a percentage of total indebtedness over total indebtedness and total equity, as at 31 December 2021 was 5.2% (2020: 9.7%).

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have other material acquisitions and disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS

As at 31 December 2021, the Group held approximately HK\$126.4 million of equity investments which were classified as held for trading. Details of the significant investments are as follows:

	Notes	Place of incorporation	Number of shares held '000	Approximate percentage of shares held to the total issued share capital of the company as at 31 December 2021 %	Investment cost HK\$'000	Fair value gain/(loss) HK\$'000	Market value HK\$'000	Approximate percentage of held-for-trading investment %	Approximate percentage to the net asset %	Approximately percentage of the total assets of the Group %
China Carbon Neutral Development Group Limited	1	Cayman Islands	511	0.2	1,850	644	2,494	2.0	0.7	0.5
China Nature Energy Technology Holdings Limited	2	Cayman Islands	1,537	0.6	3,085	(42)	3,043	2.4	0.9	0.6
Hong Kong Aerospace Technology Group Limited	3	Cayman Islands	3,215	1.0	4,311	83,662	87,930	69.6	24.2	17.9
Hong Kong Education (Int'l) Investments Limited	4	Cayman Islands	7,572	1.3	6,024	2,574	12,494	9.9	3.4	2.5
Razer Inc.	5	Cayman Islands	1,100	0.0	3,040	(378)	2,662	2.1	0.7	0.5
Others		N/A			18,310	(1,160)	17,746	14.0	4.9	3.6
					<u>46,218</u>	<u>85,300</u>	<u>126,369</u>	<u>100</u>	<u>34.8</u>	<u>25.7</u>

Notes:

1. China Carbon Neutral Development Group Limited (stock code: 1372) is principally engaged in carbon neutral related business, civil engineering works and building construction and maintenance works. No dividend was received during the year. According to the latest published financial statements of China Carbon Neutral Development Group Limited, it had net liabilities value of approximately HK\$39.0 million as at 30 June 2021.
2. China Nature Energy Technology Holdings Limited (stock code: 1597) is principally engaged in integration, manufacturing and sales of pitch control systems and related components, wind power generation and wind farm operation and maintenance business in the People's Republic of China. No dividend was received during the year. According to the latest published financial statements of China Nature Energy Technology Holdings Limited, it had net asset value of approximately RMB251.2 million as at 30 June 2021.
3. Hong Kong Aerospace Technology Group Limited (formerly known as Eternity Technology Holdings Limited) (stock code: 1725) is principally engaged in electronics manufacturing services business and aerospace business. No dividend was received during the year. According to the latest published financial statements of Hong Kong Aerospace Technology Group Limited, it had net asset value of approximately RMB246.8 million as at 30 June 2021.
4. Hong Kong Education (Int'l) Investments Limited (stock code: 1082) is principally engaged in the provision of private educational services, investment in securities, money lending business and trading of virtual reality and gaming products and provision of related services. No dividend was received during the year. According to the latest published financial statements of Hong Kong Education (Int'l) Investments Limited, it had net asset value of approximately HK\$168.0 million as at 30 June 2021.
5. Razer Inc. (stock code: 1337) is principally engaged in the design, manufacture, distribution, research and development of gaming peripherals, systems, software, services, and accessories. No dividend was received during the year. According to the latest published financial statements of Razer Inc., it had net asset value of approximately US\$586.4 million as at 30 June 2021.

In view of the recent volatile in the securities market, the Board will adopt cautious measures to manage the Group's investment portfolio with an aim to provide positive return to the Group in the near future.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant capital commitments (2020: Nil).

FOREIGN EXCHANGE EXPOSURE

During the year under review, the Group's transactions were mainly denominated in Hong Kong dollars. The Board do not consider that the Group was significantly exposed to any foreign currency exchange risk.

PLEDGE OF ASSETS

As at 31 December 2020 and 2021, the Group did not have any substantial pledge of assets.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2021, the Group had about 19 (2020: 20) employees. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits scheme contribution amounted to approximately HK\$6.2 million (2020: HK\$7.1 million).

The Group believes that its staff is one of the Group's most important assets. Aiming at providing competitive salary packages, the Group adjusts employees' salary level in close association with the performance, qualifications and experience of individual staff as well as labour market conditions. In addition to the regular remuneration, discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance. The Group is also committed to providing appropriate on-going training to staff members to equip them for future career development.

Set out below are the published financial information of Aerospace Technology which comprises the consolidated balance sheets of the Aerospace Technology Group as at 31 December 2019, 2020 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Aerospace Technology Group for each of the periods then ended.

The consolidated balance sheets of the Aerospace Technology Group as at 31 December 2019, 2020 and 2021 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Aerospace Technology Group for each of year then ended which were extracted from the annual reports of Aerospace Technology for the respective years. Such published financial information have been reviewed by the independent auditor of Aerospace Technology. In the opinions of the independent auditor of Aerospace Technology as stated in the respective annual reports of Aerospace Technology, the consolidated financial statements for each of the years ended 31 December 2019, 2020 and 2021 give a true and fair view of the consolidated financial position of the Aerospace Technology Group and of the consolidated financial performance and cash flows of the Aerospace Technology Group for each of the years then ended. The independent auditor of Aerospace Technology has drawn attention to Note 2.1(a) to the consolidated financial statements for the year ended 31 December 2021 regarding material uncertainty related to going concern. Please refer to the note (i) of this Appendix for further details.

The Directors noted that the consolidated financial statements of both the Company and Aerospace Technology for the years ended 31 December 2019, 2020 and 2021 have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), and that the principal accounting policies applied by Aerospace Technology in the preparation of its consolidated financial statements are materially consistent with those applied by the Company in the preparation of its consolidated financial statements.

The financial information of Aerospace Technology contained in this appendix appears for information purposes only. The Directors take no responsibility for the financial information of Aerospace Technology, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the financial information of Aerospace Technology contained in this appendix.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME

	Year ended		
	31 December 2021 RMB'000 (Note (i))	31 December 2020 RMB'000	31 December 2019 RMB'000
Revenue	650,230	547,825	546,325
Cost of sales	(613,114)	(498,231)	(485,846)
Gross profit	37,116	49,594	60,479
Other income	3,567	12,555	3,797
Selling and distribution expenses	(16,571)	(13,228)	(15,024)
Administrative expenses	(69,606)	(22,960)	(18,568)
Other gains/(losses), net	(636)	(394)	166
Net impairment losses on financial assets	(131)	(5,122)	(595)
Operating (loss)/profit	(46,261)	20,445	30,255
Finance income	503	560	374
Finance costs	(1,199)	(678)	(1,442)
Finance costs, net	(696)	(118)	(1,068)
(Loss)/profit before income tax	(46,957)	20,327	29,187
Income tax expense	(6,118)	(3,004)	(3,730)
(Loss)/profit for the year attributable to equity holders of the Company	(53,075)	17,323	25,457
(Loss)/earnings per share attributable to equity holders of the Company			
Basic and diluted	RMB(17.61) cents	RMB5.77 cents	RMB8.49 cents
(Loss)/profit for the year	(53,075)	17,323	25,457
Other comprehensive (loss)/income:			
<i>Item that will not be reclassified to profit or loss</i>			
Currency translation differences	(1,898)	(3,646)	1,323
<i>Item that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	1,193	432	316
Total comprehensive (loss)/income for the year attributable to equity holders of the Company	(53,780)	14,109	27,096

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at		
	31 December 2021 RMB'000 (Note (i))	31 December 2020 RMB'000	31 December 2019 RMB'000
Assets			
Non-current assets			
Properties, plant and equipment	340,456	121,780	78,571
Right-of-use assets	87,712	–	–
Intangible assets	786	1,283	1,735
Prepayments and deposits	12,002	15,845	1,329
Restricted cash	2,683	–	2,683
Deferred income tax assets	231	1,392	591
	443,870	140,300	84,909
Current assets			
Inventories	161,931	80,528	52,527
Contract assets	4,973	5,517	7,559
Trade and bills receivables	138,809	106,606	153,801
Prepayments, deposits and other receivables	72,149	29,718	21,031
Derivative financial instruments	–	399	–
Amounts due from related companies	486	–	–
Current income tax recoverable	21	–	–
Restricted cash	–	–	182
Pledged bank deposits	27,500	33,699	7,500
Short-term bank deposits	139	92	9,184
Cash and cash equivalents	91,433	178,904	107,856
	497,441	435,463	359,640
Total assets	941,311	575,763	444,549
Equity			
Equity attributable to equity holders of the Company			
Share capital	2,693	2,619	2,619
Share premium	304,492	110,868	110,868
Retained earnings	57,489	110,497	96,010
Reserves	26,869	26,306	26,684
	391,543	250,290	236,181
Total equity	391,543	250,290	236,181

	As at		
	31 December 2021 <i>RMB'000</i> <i>(Note (i))</i>	31 December 2020 <i>RMB'000</i>	31 December 2019 <i>RMB'000</i>
Liabilities			
Non-current liabilities			
Deferred government grants	10,019	10,980	1,285
Lease liabilities	33,135	107	593
Bank and other borrowings	63,449	20,943	–
Deferred tax liabilities	1,323	–	–
	<u>107,926</u>	<u>32,030</u>	<u>1,878</u>
Current liabilities			
Trade and bills payables	176,118	196,412	127,501
Other payables and accruals	61,292	45,664	30,892
Contract liabilities	45,130	33,248	15,679
Lease liabilities	8,177	5,855	10,051
Bank and other borrowings	139,167	5,799	16,422
Amount due to the immediate holding company	3,143	–	–
Amount due to the ultimate holding company	15	–	–
Amount due to a related company	15	–	–
Current income tax liabilities	8,785	6,465	5,945
	<u>441,842</u>	<u>293,443</u>	<u>206,490</u>
Total liabilities	<u><u>549,768</u></u>	<u><u>325,473</u></u>	<u><u>208,368</u></u>
Total equity and liabilities	<u><u>941,311</u></u>	<u><u>575,763</u></u>	<u><u>444,549</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to equity holders of the Company						Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	
Balance at 1 January 2021	2,619	110,868	14,591	12,662	(947)	110,497	250,290
Comprehensive loss							
Loss for the year	-	-	-	-	-	(53,075)	(53,075)
Other comprehensive (loss)/ income							
Currency translation differences	-	-	-	-	(1,898)	-	(1,898)
Exchange differences on translation of foreign operations	-	-	-	-	1,193	-	1,193
Total comprehensive loss	-	-	-	-	(705)	(53,075)	(53,780)
Transactions with owners							
Issue of shares	74	194,524	-	-	-	-	194,598
Transaction costs attributable to issue of new shares	-	(900)	-	-	-	-	(900)
Adjustment for common control combinations	-	-	-	1,335	-	-	1,335
Appropriation (<i>Note (ii)</i>)	-	-	(67)	-	-	67	-
Total transactions with owners	74	193,624	(67)	1,335	-	67	195,033
Balance at 31 December 2021	2,693	304,492	14,524	13,997	(1,652)	57,489	391,543

For the year ended 31 December 2020

	Attributable to equity holders of the Company						Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	
Balance at 1 January 2020	2,619	110,868	11,755	12,662	2,267	96,010	236,181
Comprehensive income							
Profit for the year	-	-	-	-	-	17,323	17,323
Other comprehensive (loss)/income							
Currency translation differences	-	-	-	-	(3,646)	-	(3,646)
Exchange differences on translation of foreign operations	-	-	-	-	432	-	432
Total comprehensive income	-	-	-	-	(3,214)	17,323	14,109
Transaction with owners							
Appropriation (Note (ii))	-	-	2,836	-	-	(2,836)	-
Total transaction with owners	-	-	2,836	-	-	(2,836)	-
Balance at 31 December 2020	<u>2,619</u>	<u>110,868</u>	<u>14,591</u>	<u>12,662</u>	<u>(947)</u>	<u>110,497</u>	<u>250,290</u>

APPENDIX II
**FINANCIAL INFORMATION OF
AEROSPACE TECHNOLOGY**

For the year ended 31 December 2019

	Attributable to equity holders of the Company						Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	
Balance at 1 January 2019, as previously reported	2,619	110,868	8,858	12,662	628	73,656	209,291
Impact on initial adoption of HKFRS 16	—	—	—	—	—	(206)	(206)
Balance at 1 January 2019, as restated	2,619	110,868	8,858	12,662	628	73,450	209,085
Comprehensive income							
Profit for the year	—	—	—	—	—	25,457	25,457
Other comprehensive income							
Currency translation differences	—	—	—	—	1,639	—	1,639
Total comprehensive income	—	—	—	—	1,639	25,457	27,096
Transaction with owners							
Appropriation (<i>Note (ii)</i>)	—	—	2,897	—	—	(2,897)	—
Total transaction with owners	—	—	2,897	—	—	(2,897)	—
Balance at 31 December 2019	2,619	110,868	11,755	12,662	2,267	96,010	236,181

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended		
	31 December 2021 <i>RMB'000</i> <i>(Note (i))</i>	31 December 2020 <i>RMB'000</i>	31 December 2019 <i>RMB'000</i>
Cash flows from operating activities			
Cash (used in)/generated from operations	(176,093)	96,022	13,218
Income tax paid	(1,255)	(3,098)	(3,767)
Interest received	503	560	374
	<u>(176,845)</u>	<u>93,484</u>	<u>9,825</u>
Net cash (used in)/generated from operating activities			
	<u>(176,845)</u>	<u>93,484</u>	<u>9,825</u>
Cash flows from investing activities			
Purchase of properties, plant and equipment	(257,312)	(42,457)	(4,706)
Purchase of land-use rights	(12,757)	–	(27,648)
Proceeds from disposal of properties, plant and equipment	152	468	329
Prepayments for development cost of intangible asset	(2,347)	–	–
Purchase of intangible assets	(47)	(129)	(652)
Redemption/(placement) of short-term bank deposits	–	9,129	(9,129)
Receipt of government grants	1,383	10,700	1,827
Change in restricted cash	(2,683)	–	–
	<u>(273,611)</u>	<u>(22,289)</u>	<u>(39,979)</u>
Net cash used in investing activities	<u>(273,611)</u>	<u>(22,289)</u>	<u>(39,979)</u>

	Year ended		
	31 December 2021 <i>RMB'000</i> <i>(Note (i))</i>	31 December 2020 <i>RMB'000</i>	31 December 2019 <i>RMB'000</i>
Cash flows from financing activities			
Proceeds from bank and other borrowings	199,425	23,942	28,026
Repayments of bank borrowings	(21,907)	(13,149)	(13,901)
Payment of bank charges and interests on bank borrowings	(2,981)	(805)	(812)
Advance from the ultimate holding company	3	–	–
Repayments to the immediate holding company	(253)	–	–
Payments of principal element of lease liabilities	(9,653)	(9,236)	(6,369)
Payment of interest element of lease liabilities	(1,199)	(433)	(630)
Change in restricted cash	–	2,865	(2,865)
Change in pledged bank deposits	–	–	(4,200)
Change in short-term bank deposits	(47)	(37)	(55)
Proceeds from common control combinations, net of consideration paid	5,126	–	–
Proceeds from issuance of shares	194,598	–	–
Payment of transaction costs attributable to issue of new shares	(900)	–	–
Net cash generated from/(used in) financing activities	<u>362,212</u>	<u>3,147</u>	<u>(806)</u>
Net (decrease)/increase in cash and cash equivalents			
	(88,244)	74,342	(30,960)
Cash and cash equivalents at beginning of the year	178,904	107,856	137,678
Currency translation differences	773	(3,294)	1,138
Cash and cash equivalents at end of the year	<u><u>91,433</u></u>	<u><u>178,904</u></u>	<u><u>107,856</u></u>

Notes:

- (i) According to annual report of Aerospace Technology for the year ended 31 December 2021 (the “**Aerospace 2021 Annual Report**”), the independent auditor of Aerospace Technology has drawn attention to Note 2.1(a) to the consolidated financial statements of the Aerospace 2021 Annual Report regarding material uncertainty related to going concern, which indicates that Aerospace Technology recorded a net loss of RMB53,075,000 and a net cash outflow from operating activities of RMB176,845,000 for the year ended 31 December 2021. As at 31 December 2021, the Aerospace Technology Group’s bank and other borrowings and lease liabilities repayable within twelve months totalled RMB147,344,000 while the Aerospace Technology Group’s cash and cash equivalents was RMB91,433,000. The Aerospace Technology Group had significant financial obligations and capital expenditures commitment under various contractual and other arrangements as at 31 December 2021. These conditions, along with other events and conditions as set forth in Note 2.1(a) to the consolidated financial statements of the Aerospace 2021 Annual Report, indicate that a material uncertainty exists that may cast significant doubt about the Aerospace Technology Group’s ability to continue as a going concern. Such opinion is not modified in respect of the said matter.

As set out in Note 2.1(a) to the consolidated financial statements of the Aerospace 2021 Annual Report, the Aerospace Technology Group has entered into (1) a number of leasing, procurement and installation contracts (the “**Installation and Procurement Contracts**”) for the setting up of a satellite intelligent manufacturing center and a monitoring and operation control, application and data center for satellites in Hong Kong; and (2) construction contracts (the “**Manufacturing Plants Construction Contracts**”) for expanding its production bases for EMS business in Mainland China. As at 31 December 2021, the Aerospace Technology Group’s capital commitments and lease commitments (with lease terms commencing in 2022) amounted to RMB340,659,000 and RMB238,515,000 respectively, of which RMB304,289,000 and RMB24,719,000 respectively were expected to be payable within the next twelve months. The Aerospace Technology Group will need to secure a substantial amount of funding in the near future to finance these financial obligations and capital expenditures.

These facts and circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Aerospace Technology Group’s ability to continue as a going concern.

In view of these circumstances, the directors of Aerospace Technology have given careful consideration of the future liquidity and cash flows of the Aerospace Technology Group in assessing whether the Aerospace Technology Group will have sufficient resources to continue as a going concern. For this purpose, the management of Aerospace Technology has prepared a forecast covering a period of 12 months from the end of the reporting period taken into account of the followings:

- (a) In March 2022, the Aerospace Technology Group entered into a legally binding agreement with an independent third party lender to extend certain borrowings of approximately RMB88,024,000 which are due on various dates from March, July, October and November 2022 to March 2024;
- (b) In March 2022, the Aerospace Technology Group entered into eight loan agreements with eight lenders, comprising two executive directors, one non-executive director and five shareholders of the immediate holding company of Aerospace Technology (collectively the “**Lenders**”) respectively, pursuant to which, each of the Lenders has irrevocably agreed to provide Aerospace Technology with an unsecured and interest-free loan for a term of 12 months for a total amount of HK\$52 million (approximately RMB42.4 million);
- (c) In March 2022, the Aerospace Technology Group obtained a revolving loan facility from an independent third party with a credit limit of US\$12 million (approximately RMB76.3 million) for a term of 36 months from the first date of drawing of the loan. The facility is secured by a personal guarantee from Mr. Sun Fengquan, an executive director of Aerospace Technology who is also the ultimate controlling shareholder of Aerospace Technology (the “**Guarantor**”). Any amount drawn from this facility is interest bearing and repayable on 36 months after the first drawdown date;
- (d) In March 2022, the Aerospace Technology Group obtained a letter of undertaking (the “**First Undertaking Letter**”) from the Guarantor, pursuant to which, the Guarantor has irrevocably undertaken to provide the Aerospace Technology Group with an unsecured and interest-free revolving loan for an amount up to HK\$300 million (approximately RMB244.5 million). The First Undertaking Letter is valid and subsisting up to 31 March 2023 and any loan drawn thereunder shall be repayable on 31 March 2023;

- (e) In March 2022, the Aerospace Technology Group also obtained another letter of undertaking (the “**Second Undertaking Letter**”) jointly given by two executive directors, one non-executive director, and a shareholder of the immediate holding company of Aerospace Technology (collectively the “**Covenantors**”), pursuant to which, the Covenantors have jointly and irrevocably undertaken to provide the Aerospace Technology Group with an unsecured and interest-free loan up to HK\$100 million (approximately RMB81.5 million) which is valid until 31 March 2023. Any amount drawn under the Second Undertaking Letter shall be repayable on 31 March 2023. Aerospace Technology’s right to draw loan under the Second Undertaking Letter is subordinate to its right under the First Undertaking Letter. Hence, Aerospace Technology could draw the loan under the Second Undertaking Letter only if the Guarantor fails to advance loan to Aerospace Technology under the First Undertaking letter;
- (f) In June 2020 and August 2021, the Aerospace Technology Group obtained facilities totalling RMB353 million from two banks in China to support the funding required under the Manufacturing Plants Construction Contracts. As at 31 December 2021, the amount undrawn under these facilities totalled approximately RMB295 million;
- (g) The Aerospace Technology Group is in negotiation with the counterparties to the two Installation and Procurement Contracts for the extension of the contractual payments for procurement and installation services of approximately RMB57,668,000 due in various dates in May, July and October 2022 and January 2023 to the period beyond 31 March 2023;
- (h) The Aerospace Technology Group is in negotiation with another independent third party in respect of new borrowings; and
- (i) The Aerospace Technology Group is in negotiation with certain potential investors for raising new capital by the way of issuing new equity and/or debt securities.

The directors of Aerospace Technology have reviewed the Aerospace Technology Group’s cash flow projections prepared by the management, which cover a period of twelve months from 31 December 2021. In the opinion of the directors of Aerospace Technology, in taking into account the anticipated cash flows to be generated from the Aerospace Technology Group’s operations as well as the above-mentioned plans and measures, the Aerospace Technology Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2021. Accordingly, the directors of Aerospace Technology consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, a material uncertainty exists as to whether the Aerospace Technology Group is able to successfully implement its plans and measures as described above. Whether the Aerospace Technology Group will be able to continue as a going concern depends upon the Aerospace Technology Group’s ability to generate adequate cash flows through:

- (a) Successfully extending the due dates of the remaining unpaid contractual payments under the two Installation and Procurement Contracts;
- (b) Successfully obtaining adequate funding, as and when needed, from the Lenders, independent third party, the Guarantor and the Covenantors as mentioned in notes (b), (c), (d) and (e) above respectively; and
- (c) Successfully obtaining adequate funding through the issue of new equity and/or debt securities as mentioned in notes (h) and (i) above.

Should the Aerospace Technology Group fail to achieve the above plans and measures, it might not be able to continue as a going concern, and adjustments would have to be made to write down the carrying value of the Aerospace Technology Group’s assets to their recoverable amounts, to provide for any further financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments have not been reflected in these consolidated financial statements.

- (ii) The People's Republic of China (the "PRC") laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A PRC company is required to appropriate an amount of not less than 10% of statutory profits after income tax to statutory surplus reserves, prior to distribution of its post-tax profits of the current period. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretionary surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

(A) THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**1. Introduction**

The following is the unaudited pro forma financial information of the Group, comprising the unaudited pro forma consolidated statement of financial position as at 31 December 2021 and the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2021 and related notes (collectively, the “**Unaudited Pro Forma Financial Information**”).

The Unaudited Pro Forma Financial Information is prepared by the directors of the Company in accordance with Paragraph 7.31 of the GEM Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants, for the purpose of illustrating the effect of the possible disposal of 3,215,000 Aerospace Technology Shares held by the Group (the “**Possible Disposal**”) as described in the section headed “Letter from the Board” in this circular.

The Unaudited Pro Forma Financial Information presented below is prepared to illustrate (i) the consolidated statement of financial position of the Group as at 31 December 2021 as if the Possible Disposal had been completed on 31 December 2021; and (ii) the consolidated statement of profit or loss and other comprehensive income of the Group and the consolidated statement of cash flows of the Group for the year ended 31 December 2021 as if the Possible Disposal had been completed on 1 January 2021.

The Unaudited Pro Forma Financial Information of the Group is based upon the consolidated financial information of the Group which has been derived from the Company’s published annual report for the year ended 31 December 2021, after taking into account pro forma adjustments as summarised in the accompanying notes that are clearly shown and explained, factually supportable and directly attributable to the Possible Disposal.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and is based on certain assumptions, estimates and current available information. Accordingly, because of its hypothetical nature, it may not give a true picture of the financial results, cash flows and financial position of the Group had the Possible Disposal been completed as at the specified dates or any future dates.

The Unaudited Pro Forma Financial Information of the Group should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Company for the year ended 31 December 2021, and other financial information included elsewhere in this circular.

2. Unaudited Pro Forma Consolidated Statement of Financial Position of the Group as at 31 December 2021

	Audited consolidated statement of financial position of the Group as at 31 December 2021 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustments <i>HK\$'000</i> <i>Note (b)(i)(ii)</i>	Unaudited pro forma consolidated statement of financial position of the Group as at 31 December 2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	1,072		1,072
Right-of-use assets	2,692		2,692
Investment properties	18,500		18,500
Loans and interests receivable	7,513		7,513
Goodwill	18,302		18,302
Other intangible assets	20,000		20,000
	68,079		68,079
Current assets			
Loans and interests receivable	24,886		24,886
Accounts receivable	81,122		81,122
Prepayments and deposits paid	3,882		3,882
Financial assets at fair value through profit or loss	126,369	(87,930)	38,439
Bank balances – trust accounts	64,477		64,477
Bank balances and cash – general bank accounts and cash	123,471	35,742	159,213
	424,207		372,019

	Audited consolidated statement of financial position of the Group as at 31 December 2021 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustments <i>HK\$'000</i> <i>Note (b)(iii)(iv)</i>	Unaudited pro forma consolidated statement of financial position of the Group as at 31 December 2021 <i>HK\$'000</i>
Current liabilities			
Accounts payable	73,962		73,962
Other payable and accruals	10,530		10,530
Rental deposits received	104		104
Lease liabilities	2,384		2,384
Other borrowing	10,000		10,000
Corporate bonds payable	9,910		9,910
Income tax payable	5,268	5,186	10,454
	<u>112,158</u>		<u>117,344</u>
Net current assets	<u>312,049</u>		<u>254,675</u>
Total assets less current liabilities	380,128		322,754
Non-current liabilities			
Lease liabilities	202		202
Deferred tax liabilities	16,465	(13,797)	2,668
	<u>16,667</u>		<u>2,870</u>
Net assets	<u><u>363,461</u></u>		<u><u>319,884</u></u>

	Audited consolidated statement of financial position of the Group as at 31 December 2021 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustments <i>HK\$'000</i> <i>Note (b)(v)</i>	Unaudited pro forma consolidated statement of financial position of the Group as at 31 December 2021 <i>HK\$'000</i>
Capital and reserves			
Share capital	27,833		27,833
Reserves	325,215	(43,577)	281,638
Equity attributable to owners of the Company	353,048		309,471
Non-controlling interests	10,413		10,413
Total equity	363,461		319,884

3. Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other
Comprehensive Income of the Group for the year ended 31 December 2021

	Audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2021 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustments <i>HK\$'000</i> <i>Note (b)(v)</i>	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2021 <i>HK\$'000</i>
Revenue	25,862		25,862
Cost of services	(1,553)		(1,553)
Gross profit	24,309		24,309
Other income, gains and losses	90,698	(52,083)	38,615
Selling and distribution expenses	(450)		(450)
Administrative expenses	(14,619)	(105)	(14,724)
Finance costs	(1,911)		(1,911)
Profit before tax	98,027		45,839
Income tax expense	(15,365)	8,611	(6,754)
Profit and total comprehensive income for the year	82,662		39,085

4. Unaudited Pro Forma Consolidated Statement of Cash Flows of the Group for the year ended 31 December 2021

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2021 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustments <i>HK\$'000</i> <i>Note (b)(vi)(vii)</i>	Unaudited pro forma consolidated statement of cash flows of the Group for the year ended 31 December 2021 <i>HK\$'000</i>
Cash flows from operating activities			
Profit before tax	98,027	(52,188)	45,839
Adjustments for:			
Interest income included in other income and gains	(18)		(18)
Finance costs	1,911		1,911
Depreciation of property, plant and equipment	1,097		1,097
Depreciation of right-of-use assets	2,308		2,308
Loss on change in fair value of investment properties	800		800
Operating cash flows before movements in working capital	104,125		51,937
Increase in account receivables	(3,473)		(3,473)
Decrease in loans and interests receivable	16,809		16,809
Increase in prepayments and deposits paid	(1,975)		(1,975)
(Increase) decrease in financial assets at fair value through profit or loss	(85,123)	87,930	2,807
Increase in bank balances – trust accounts	(11,214)		(11,214)
Decrease in account payables	(5,037)		(5,037)
Decrease in other payables and accruals	(1,661)		(1,661)
Decrease in rental deposits received	(51)		(51)
Cash generated from operations	12,400		48,142
Income taxes paid	(1,407)		(1,407)
Net cash generated from operating activities	10,993		46,735

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2021 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustments <i>HK\$'000</i> <i>Note (b)(vi)(vii)</i>	Unaudited pro forma consolidated statement of cash flows of the Group for the year ended 31 December 2021 <i>HK\$'000</i>
Cash flows from investing activities			
Interest received	18		18
Acquisition of non-controlling interests	(200)		(200)
Net cash used in investing activities	<u>(182)</u>		<u>(182)</u>
Cash flows from financing activities			
Interest paid	(39)		(39)
Payment of lease liabilities	(2,366)		(2,366)
Repayment to other borrowing	(11,000)		(11,000)
Net cash used in financing activities	<u>(13,405)</u>		<u>(13,405)</u>
Net (decrease) increase in cash and cash equivalents	(2,594)		33,148
Cash and cash equivalents at beginning of the year	<u>126,065</u>		<u>126,065</u>
Cash and cash equivalents at end of the year	<u><u>123,471</u></u>		<u><u>159,213</u></u>

Notes to the Unaudited Pro Forma Financial Information:

- a.* The audited consolidated statement of financial position of the Group as at 31 December 2021, audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2021 and audited consolidated statement of cash flows of the Group for the year ended 31 December 2021 are extracted from the consolidated financial statements of the Group for the year ended 31 December 2021 which are contained in the Company's published annual report for the year ended 31 December 2021.
- b.* The adjustments represent the impact of the Possible Disposal of 3,215,000 Aerospace Technology Shares at the selling price of HK\$11.15 per Aerospace Technology Share.

For the purpose of preparing the Unaudited Pro Forma Financial Information, it was assumed that the Possible Disposal was carried out during the year ended 31 December 2021 and completed on 1 January 2021, such that the Group would have recognised (i) an increase in bank balances and cash of approximately HK\$35,742,000, a decrease in financial assets at fair value through profit or loss ("FVTPL") of approximately HK\$87,930,000, an increase in income tax payable of approximately HK\$5,186,000 and a decrease in deferred tax liabilities of approximately HK\$13,797,000 in the unaudited pro forma consolidated statement of financial position; (ii) a decrease in net profit, being the difference between the net aggregate consideration (after deducting therefrom the transaction costs) and the carrying value of the Aerospace Technology Shares, of approximately HK\$52,188,000 and income tax credit arising of approximately HK\$8,611,000 in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income; and (iii) a decrease in unrealised gain on financial assets at FVTPL of HK\$87,930,000 in the unaudited pro forma consolidated statement of cash flows, which are calculated as follows:

Number of Aerospace Technology Shares to be disposed of	3,215,000 shares
Selling price per Aerospace Technology Share under the Possible Disposal	HK\$11.15
Cash proceeds from the Possible Disposal	HK\$35,847,250
Market price per Aerospace Technology Share as at 31 December 2021	HK\$27.35
Market price per Aerospace Technology Share as at 1 January 2021	HK\$1.30
Carrying amount as at 31 December 2021 of the Aerospace Technology Shares to be disposed of	HK\$87,930,000
Carrying amount as at 1 January 2021 of the Aerospace Technology Shares to be disposed of	HK\$4,180,000

Pro forma adjustments in relation to the unaudited pro forma consolidated statement of financial position of the Group as at 31 December 2021

	<i>HK\$'000</i>
(i) Decrease in carrying amount of financial assets at FVTPL:	
Carrying amount of 3,215,000 Aerospace Technology Shares as at 31 December 2021	(87,930)
	<u><u> </u></u>
	<i>HK\$'000</i>
(ii) Net cash proceeds from the Possible Disposal:	
Cash proceeds from the Possible Disposal	35,847
Less: estimated transaction costs (<i>Note</i>)	(105)
	<u> </u>
Increase in bank balances and cash	
– general bank accounts and cash	35,742
	<u><u> </u></u>
	<i>HK\$'000</i>
(iii) Increase in income tax payable	
Income tax payable charged to profit or loss on disposal of 3,215,000 Aerospace Technology Shares	5,186
	<u><u> </u></u>
	<i>HK\$'000</i>
(iv) Decrease in deferred tax liabilities:	
Deferred tax liabilities credited to profit or loss on disposal of 3,215,000 Aerospace Technology Shares	(13,797)
	<u><u> </u></u>

Pro forma adjustments in relation to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2021

	<i>HK\$'000</i>
(v) Decrease in net gain upon completion of the Possible Disposal:	
Cash proceeds from the Possible Disposal	35,847
	<hr/>
Less: carrying amount of 3,215,000 Aerospace Technology Shares as at 1 January 2021	(4,180)
Less: Decrease in net unrealised gain on financial assets at FVTPL	(83,750)
	<hr/>
	(87,930)
	<hr/>
Decrease in net gain on financial assets at FVTPL	(52,083)
Less: estimated transaction costs (<i>Note</i>)	(105)
	<hr/>
Decrease in net gain upon completion of the Possible Disposal, before tax	(52,188)
	<hr/>
Adjustment to income tax expense	
Income tax expense to be charged on disposal of 3,215,000 Aerospace Technology Shares as at 1 January 2021	(5,186)
Deferred tax credit to be recognised on disposal of 3,215,000 Aerospace Technology Shares as at 1 January 2021	13,797
	<hr/>
Decrease in income tax expense	8,611
	<hr/>
Adjustments to reserves	(43,577)
	<hr/> <hr/>

Pro forma adjustments in relation to the unaudited pro forma consolidated statement of cash flows of the Group for the year ended 31 December 2021

	<i>HK\$'000</i>
(vi) Adjustment to profit before tax under cash flows from operating activities	
Decrease in profit before tax	(52,188)
	<hr/> <hr/>
	<i>HK\$'000</i>
(vii) Decrease in financial assets at FVTPL upon completion of the Possible Disposal:	
Carrying amount of 3,215,000 Aerospace Technology Shares as at 1 January 2021	4,180
Decrease in net unrealised gain on financial assets at FVTPL	83,750
	<hr/>
	87,930
	<hr/> <hr/>

Note: Estimated transaction costs represent the brokers' handling fee, stamp duty and other costs which accounted for approximately 0.292% of the sales proceeds directly attributable to the Possible Disposal.

**(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the reporting accountants, CCTH CPA Limited, Certified Public Accountants, in respect of the Group's pro forma financial information for the purpose in this circular.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION
TO THE DIRECTORS OF KOALA FINANCIAL GROUP LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of KOALA Financial Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) which were prepared by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2021, the unaudited proforma consolidated statement of profit or loss and other comprehensive income and the unaudited proforma consolidated statement of cash flows for the year ended 31 December 2021 and related notes as set out on pages III-1 to III-10 of Appendix III of the circular issued by the Company dated 31 May 2022 (the “**Circular**”) in connection with the very substantial disposal in relation to the possible disposal of 3,215,000 ordinary shares of Hong Kong Aerospace Technology Group Limited (the “**Possible Disposal**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page III-1 of Appendix III to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed very substantial disposal in relation to the Possible Disposal on the Group's financial position as at 31 December 2021 and the Group's financial performance and cash flows the year ended 31 December 2021 as if the Possible Disposal had taken place at 31 December 2021 and 1 January 2021, respectively. As part of this process, information about the Group's financial position as at 31 December 2021 and the Group's financial performance and cash flows for the year ended 31 December 2021 has been extracted by the Directors from the annual report of the Group for the year ended 31 December 2021, on which an audit report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Circular” issued by the HKICPA. This standard requires that the reporting accountants’ plan and perform procedures to obtain reasonable assurance about whether the Directors have complied the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 31 December 2021 and 1 January 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

CCTH CPA Limited

Certified Public Accountants

Hong Kong, 31 May 2022

Kwong Tin Lap

Practising Certificate Number: P01953

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respect and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests of Directors and chief executive

As at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any member of the Group:

Name of Shareholder	Capacity or nature of interests	Number of Shares in long position	Approximate percentage of issued share capital of the Company
Ms. Wong Ka Man	Beneficial owner	26,533,363	19.07%

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there is no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. INTERESTS IN CONTRACT OR ARRANGEMENT

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

5. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2021, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or the controlling Shareholders or their respective associates had any interests in businesses which compete or may compete with the business of the Group or had any other conflict of interests which any such person has or may have with the Group.

7. LITIGATION

As at the Latest Practicable Date, none of the members of the Group were engaged in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened against any member of the Group.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has provided its advice for inclusion in this circular:

Name	Qualification
CCTH CPA Limited	Certified Public Accountants

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters and references to its name in the form and context in which they appear herein.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and it did not have any direct or indirect interest in any assets which have been since 31 December 2021 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to by any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. MATERIAL CONTRACTS

The following contract (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and up to the Latest Practicable Date and are or may be material:

- (i) the underwriting agreement dated 12 May 2022 (the “**Underwriting Agreement**”) entered into by the Company and Supreme China Securities Limited (the “**Underwriter**”), pursuant to which the Underwriter has conditionally agreed to underwrite up to 278,335,994 rights shares on a best effort basis and subject to the terms and conditions of the Underwriting Agreement.

10. GENERAL

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at units 01-02, 13th Floor, Everbright Centre, 108 Gloucester Road, Wan Chai, Hong Kong.
- (b) The branch share registrar of the Company in Hong Kong is Union Registrars Limited located at suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong.
- (c) The company secretary of the Company is Mr. Tse Chi Shing, a member of the Hong Kong Institute of Certified Public Accountants.
- (d) The compliance officer of the Company is Ms. Kwan Kar Ching, an executive Director and one of the authorised representatives of the Company.
- (e) The English text of this circular and the accompanying proxy form shall prevail over the Chinese text in the case of any inconsistency.

11. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee comprises three independent non-executive Directors, namely Mr. Ng Wah Leung (Chairman of the audit committee), Mr. Hung Cho Sing and Mr. Luk Kin Ting, in compliance with the GEM Listing Rules. The primary role and function of the audit committee of the Company are to oversee the relationship with the external auditors, to review the Group's preliminary quarterly results, interim results and annual results and to monitor compliance with statutory and listing requirements. The committee shall engage independent legal or other advisers as it determines is necessary to perform any investigations.

Mr. Ng Wah Leung, aged 42, was appointed as an independent non-executive Director in February 2021. He holds a bachelor degree of arts in accountancy from the Hong Kong Polytechnic University. He is a fellow member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants. He has over 15 years of experience in accounting and audit on Hong Kong listed companies and private companies.

Mr. Hung Cho Sing, aged 81, was appointed as an independent non-executive Director in May 2015. He has over 30 years of experience in the film distribution industry. He was the founder of Delon International Film Corporation and has been its General Manager since June 2004. He was the Organising Committee Chairman of the 11th and 12th Hong Kong Film Awards from 1991 to 1993. And from 1993 to 1995, he was the Chairman of Hong Kong Film Awards Association Limited. He is currently the Chairman of Hong Kong Motion Picture Industry Association. In recognition of his contribution to the Hong Kong film industry, he was awarded the Bronze Bauhinia Star (BBS) by the Government of the Hong Kong Special Administrative Region ("HKSAR") in 2005. From April 2007 to March 2013, he was appointed by the Government of HKSAR as a member of the Hong Kong Film Development Council. He is also a member of HKSAR Election Committee and since January 2013, he has been appointed by the Government of HKSAR as a non-official member of the Working Group on Manufacturing Industries, Innovative Technology, and Cultural and Creative Industries under the Economic Development Commission.

Currently, he is an executive director of EJE (Hong Kong) Holdings Limited (stock code: 8101). He is an independent non-executive director of China Star Entertainment Limited (stock code: 326), Oshidori International Limited (stock code: 622), Miko International Holdings Limited (stock code: 1247) and Harbour Digital Asset Capital Limited (stock code: 913).

He was a non-executive director of Capital VC Limited (stock code: 2324) from September 2011 to January 2014 and Universe Entertainment and Culture Group Company Limited (stock code: 1046) from October 2017 to July 2019, an independent non-executive director of ARTA TechFin Corporation Limited (formerly known as Freeman FinTech Corporation Limited) (stock code: 279) from January 2013 to January 2017 and China Ruyi Holdings Limited (formerly known as HengTen Networks Group Limited) (stock code: 136) from January 2013 to October 2015.

Mr. Luk Kin Ting, aged 37, was appointed as an independent non-executive Director in June 2016. He obtained a juris doctor degree from the Chinese University of Hong Kong, a master degree of laws (Majoring in Corporate Law) from New York University and a bachelor degree of business administration in Economics and Accounting from Hong Kong University of Science and Technology. He was admitted as a solicitor of the High Court of Hong Kong and had experience in legal counseling and solicitor practice. He was an independent non-executive director of Janco Holdings Limited (stock code: 8035) from September 2016 to September 2019.

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Company's website (www.koala8226.com.hk) and the Stock Exchange's website (www.hkexnews.hk) up to and including the date which is 14 days from the date of this circular:

- (a) the report from CCTH CPA Limited on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix III to this circular; and
- (b) the written consent referred to in the paragraph headed "8. QUALIFICATION AND CONSENT OF EXPERT" in this appendix.

NOTICE OF EGM



KOALA Financial Group Limited

樹熊金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8226)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of KOALA Financial Group Limited (the “**Company**”) will be held at Units 01-02, 13th Floor, Everbright Centre, 108 Gloucester Road, Wan Chai, Hong Kong on Friday, 17 June 2022 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT**

- (a) the disposal(s) (the “**Disposal(s)**”, each a “**Disposal**”) by the Company and/or its subsidiary(ies) (collectively the “**Group**”) in tranche(s) in the open market through the trading system of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in the off-market through block trade(s) by entering into placing agreement(s) with licensed corporation(s) carrying out Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance as placing agent(s), of up to 3,215,000 ordinary shares (the “**Approved Sale Shares**”) of Hong Kong Aerospace Technology Group Limited (the “**Aerospace Technology Share(s)**”), a company incorporated in Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1725), during the period of 12 months from the date of passing of this resolution (unless revoked or varied by ordinary resolution of the shareholders in general meeting of the Company) (the “**Mandate Period**”) be and are hereby approved subject to the following conditions:
- (i) each Disposal in the open market or off-market shall be at market price of no more than 20% discount to the average of the closing price as quoted on the Stock Exchange for the five (5) consecutive trading days immediately before the date of each Disposal during the Mandate Period; and
- (ii) the Minimum Selling Price of the Disposal(s) shall be no less than HK\$11.15 per Aerospace Technology Share.

NOTICE OF EGM

- (b) the directors of the Company (the “**Directors**”) be and are hereby authorized and empowered to determine, decide, execute and implement with full discretion all matters relating to the Disposals(s) from time to time during the Mandate Period, including but not limited to, the number of tranche(s) of Disposal(s), the number of Approved Sale Shares to be sold in each Disposal, the timing of each Disposal, the manner of each Disposal in the open market or in the off-market, the target purchasers, and the selling price (subject to the parameters set out above) and to do all such acts and things, including but not limited to, execution of all documents which the Directors deem necessary, appropriate or desirable to implement and give full effect to the Disposal(s) and the transactions contemplated thereunder or in connection with the exercise of the Disposal(s).”

Yours faithfully
By order of the Board
KOALA Financial Group Limited
Kwan Kar Ching
Chairlady

Hong Kong, 31 May 2022

Registered office:
Cricket Square
Hutchins Drive,
P.O. Box 2681,
Grand Cayman, KY1-1111,
Cayman Islands

Principal place of business in Hong Kong:
Units 01–02, 13th Floor,
Everbright Centre,
108 Gloucester Road,
Wanchai, Hong Kong

Notes:

1. Any shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him/her/it. A proxy need not be a shareholder of the Company.
2. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company’s branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for registration not less than 48 hours before the time appointed for holding the Meeting.
3. Completion and return of the form of proxy will not preclude a member of the Company from attending the Meeting and voting in person at the Meeting or any adjournment thereof if he/she/it so desires. If a member of the Company attends the Meeting after having deposited the form of proxy, his/her/its form of proxy will be deemed revoked.
4. For determining the entitlement to attend and vote at the EGM, the record date will be on Tuesday, 14 June 2022. In order to be eligible to attend and vote at the EGM, unregistered shareholders of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not later than 4:00 p.m. on Tuesday, 14 June 2022.

NOTICE OF EGM

5. Where there are joint registered holders of any Share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he/she/it were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, then one of the said persons so present being the most, or as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holder stand on the register in respect of the relevant joint holding.
6. As at the date of this notice, the executive Directors are Ms. Kwan Kar Ching and Ms. Hsin Yi-Chin; and the independent non-executive Directors are Mr. Hung Cho Sing, Mr. Luk Kin Ting and Mr. Ng Wah Leung.
7. If Typhoon Signal No. 8 or above, “extreme conditions” caused by super typhoons or a “black” rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at “www.koala8226.com.hk” and on the HKEX website at “www.hkexnews.hk” to notify Shareholders of the date, time and venue of the rescheduled meeting.