
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in KOALA Financial Group Limited, you should at once hand the Prospectus Documents to the purchaser(s) or transferee(s), or to the bank, licensed securities dealer, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Subject to the granting of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC and you should consult your stockbroker, a licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

A copy of each of the Prospectus Documents, together with the documents specified in the paragraph headed "13. Documents delivered to the Registrar of Companies in Hong Kong" in Appendix III to this Prospectus, have been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (WUMP) Ordinance. The Registrar of Companies in Hong Kong, The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong take no responsibility as to the contents of any of the Prospectus Documents or any other document(s) referred to above.

You should read the whole of the Prospectus Documents including the discussion of certain risks and other factors as set out in the section headed "Letter from the Board - Warning of the Risks of Dealing in the Shares and nil-paid Rights Shares" of this Prospectus.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of the Prospectus Documents, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.



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)

RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE

Financial adviser to the Company



Underwriter to the Rights Issue



Supreme China Securities Limited
智華證券有限公司

Unless the context requires otherwise, capitalised terms used on this cover have the same meanings as those defined in this Prospectus.

The Rights Issue is only underwritten on a best effort basis and non-fully underwritten basis. Pursuant to the Company's constitutional documents, the Companies Act of the Cayman Islands, the Companies (WUMP) Ordinance and the GEM Listing Rules, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfillment or satisfaction of the conditions precedent of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level. In the event of under-subscription, any Rights Shares not taken up by the Qualifying Shareholders whether under PAL(s) or EAF(s), or transferees of nil-paid Rights Shares, and not subscribed by the Underwriter or other subscribers procured by it pursuant to the Underwriting Agreement will not be issued by the Company, and hence, the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.

It should be noted that the Shares have been dealt in on an ex-rights basis from Wednesday, 27 July 2022. Dealings in the Rights Shares in nil-paid form are expected to take place from Tuesday, 9 August 2022 to Tuesday, 16 August 2022 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Tuesday, 9 August 2022 to Tuesday, 16 August 2022 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

The latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares is 4:00 p.m. on Friday, 19 August 2022. The procedure for acceptance and payment or transfer of the Rights Shares is set out on pages 14 to 17 in the section headed "Letter from the Board – Rights Issue – Procedures for acceptance and payment or transfer" of this Prospectus.

5 August 2022

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.

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DEFINITIONS

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

“acting in concert”	has the same meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement of the Company dated 12 May 2022 relating to, among other things, the Rights Issue
“associate(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Beneficial Owner(s)”	any beneficial owner(s) of the Shares whose Shares are registered in the register of members of the Company in the name of a Registered Shareholder
“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Participant”	a person admitted by HKSCC to participate in CCASS as a direct clearing participant, general clearing participant, or custodian participant, or a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	KOALA Financial Group Limited, a company incorporated in the Cayman Islands with limited liability, whose issued shares are listed on GEM (stock code: 8226)
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, in such usual form as may be agreed between the Company and the Underwriter

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company held on Monday, 11 July 2022 at which the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder were approved by the Independent Shareholders
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed thereto under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons
“Independent Shareholder(s)”	any Shareholder(s) other than any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates
“Intermediary”	in relation to a Beneficial Owner whose Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, means the Beneficial Owner’s broker, custodian, nominee or other relevant person who is a CCASS Participant or who has deposited the Beneficial Owner’s Shares with a CCASS Participant
“Last Trading Day”	12 May 2022, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	29 July 2022, being the latest practicable date before the printing of this Prospectus for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Friday, 19 August 2022 or other time or date as may be agreed in writing between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Rights Shares and application and payment for excess Rights Shares

DEFINITIONS

“Latest Time for Termination”	4:00 p.m. on Monday, 22 August 2022 or such other time or date as the Underwriter may agree in writing with the Company
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is (are) in (a) place(s) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC”	the People’s Republic of China which, for the purpose of this Prospectus, excludes Taiwan, Hong Kong and the Macau Special Administrative Region
“Prospectus”	this prospectus being despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	this Prospectus, the PAL and the EAF
“Prospectus Posting Date”	Friday, 5 August 2022 or such other date as may be agreed in writing between the Underwriter and the Company, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Non-Qualifying Shareholders
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appeared on the register of members of the Company on the Record Date
“Record Date”	Thursday, 4 August 2022 or such other date as may be agreed between the Company and the Underwriter in writing for the determination of the entitlements under the Rights Issue
“Registered Shareholder(s)”	in respect of a Beneficial Owner, means a nominee, trustee, depository or any other authorised custodian or third party which is the registered Shareholder in the register of members of the Company of the Shares in which the Beneficial Owner is beneficially interested
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong

DEFINITIONS

“Rights Issue”	the proposed issue of the Rights Shares on the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement
“Rights Share(s)”	up to 278,335,994 Shares to be allotted and issued pursuant to the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) of HK\$0.2 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.3 per Rights Share
“substantial Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Underwriter”	Supreme China Securities Limited, a licensed corporation carrying out Type 1 (dealing in securities) regulated activity under the SFO
“Underwriting Agreement”	the underwriting agreement dated 12 May 2022 entered into between the Company and the Underwriter in respect of the Rights Issue
“Underwritten Shares”	up to 278,335,994 Rights Shares to be underwritten by the Underwriter on a best-effort basis pursuant to the terms of the Underwriting Agreement
“United States”	the United States of America
“Untaken Share(s)”	any of the Underwritten Shares which have not been taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares or applicants under excess applications by the Latest Time for Acceptance
“%”	per cent.

EXPECTED TIMETABLE

The expected timetable for the Rights Issue set out below is for indicative purposes only and it has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled.

Event	Date and time 2022
First day and time of dealings in nil-paid Rights Shares	9:00 a.m. on Tuesday, 9 August
Latest time for splitting of PAL (s).....	4:00 p.m. on Thursday, 11 August
Last day and time of dealings in nil-paid Rights Shares	4:00 p.m. on Tuesday, 16 August
Latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares.....	4:00 p.m. on Friday, 19 August
Latest time and date for termination of Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Monday, 22 August
Announcement of results of the Rights Issue	Friday, 26 August
Despatch of share certificates for fully-paid Rights Shares	Monday, 29 August
Despatch of refund cheques for wholly or partly unsuccessful applications for excess Rights Shares or if the Rights Issue is terminated.....	Monday, 29 August
Commencement of dealings in the fully-paid Rights Shares	9:00 a.m. on Tuesday, 30 August

All times and dates stated above refer to Hong Kong local times and dates. The expected timetable for the Rights Issue set out above and all dates and deadlines specified in this Prospectus are indicative only and may be varied. Any changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place at the time indicated above if a typhoon signal No. 8 (or above), “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region, or a “black” rainstorm warning is:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on Friday, 19 August 2022, the dates mentioned in the “EXPECTED TIMETABLE” above may be affected. An announcement will be made by the Company in such event as soon as practicable.

TERMINATION OF THE UNDERWRITING AGREEMENT

TERMINATION OF THE UNDERWRITING AGREEMENT

If at any time on or before the Latest Time for Termination:

- (a) it has come to the notice of the Underwriter:
 - (i) that any of the representations, warranties and undertakings in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue; or
 - (ii) that any statement, considered reasonably by the Underwriter to be material, contained in the Prospectus Documents was when the Prospectus Documents were issued, or has become untrue, incorrect or misleading in any material respect; or
 - (iii) any adverse change after the signing of the Underwriting Agreement in the business or in the financial or trading position of any member of the Group which is material in the context of the Rights Issue; or
 - (iv) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the Prospectus Posting Date, constitute an omission therefrom reasonably considered by the Underwriter to be material; or
 - (v) after signing of the Underwriting Agreement, there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise; or
 - (vi) any event, act or omission which in the reasonable opinion of the Underwriter gives or are likely to give rise to any material liability of the Company pursuant to the terms of the Underwriting Agreement;
- (b) in the sole opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Group after the signing of the Underwriting Agreement; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (ii) the occurrence of any local, national or international event or change of a political, military, financial, economic or other nature or in the nature of any local outbreak or escalation of hostilities or armed conflict, or adversely affecting local securities markets which materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially or adversely prejudice the success of the Rights Issue or otherwise makes inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) any change in market conditions (including without limitation suspension or material restriction or trading in securities) occurs which is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it expedient or inadvisable to proceed with the Rights Issue; or
- (d) any change in the circumstances of the Company or any members of the Group which will materially or adversely affect the prospect of the Company.

then the Underwriter may, by notice in writing given to the Company on or before the Latest Time for Termination, terminate the Underwriting Agreement.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Rights Issue may or may not proceed.

Shareholders should note that the Shares have been dealt in on an ex-rights basis from Wednesday, 27 July 2022. Dealings in the Rights Shares in nil-paid form are expected to take place from Tuesday, 9 August 2022 to Tuesday, 16 August 2022 (both days inclusive).

Any dealings in the Shares up to the date on which all the conditions of the Rights Issue are fulfilled, which is expected to be no later than 4:00 p.m. on Monday, 22 August 2022, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

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

*Head office and principal place of
business in Hong Kong:*

Units 01-02, 13th Floor

Everbright Centre

108 Gloucester Road

Wan Chai, Hong Kong

5 August 2022

To the Qualifying Shareholders and, for information only, the Non-Qualifying Shareholders

Dear Sir or Madam,

RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE

INTRODUCTION

References are made to the Announcement and circular of the Company dated 23 June 2022 in relation to, among other things, the Rights Issue. The Rights Issue is conditional upon the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof. The Underwritten Shares are underwritten by the Underwriter on a best effort and non-fully underwritten basis, pursuant to the terms of the Underwriting Agreement.

The purpose of this Prospectus is to provide you with, among other things, further details on (i) the Rights Issue and information on acceptances of the Rights Shares; (ii) the financial information of the Group; (iii) the unaudited pro forma financial information of the Group; and (iv) the general information of the Group.

LETTER FROM THE BOARD

RIGHTS ISSUE

The Board proposes to implement the Rights Issue with the terms set out as follows:

Issue statistics

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.3 per Rights Share
Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.29 per Rights Share
Number of Shares in issue as at the Latest Practicable Date and the Record Date	:	139,167,997 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	Up to 278,335,994 Rights Shares (assuming all the Rights Shares will be allotted and issued) The aggregate nominal value of the Rights Shares will be up to HK\$55,667,198.8
Total number of Shares in issue upon completion of the Rights Issue	:	Up to 417,503,991 Shares (assuming all the Rights Shares will be allotted and issued)
Gross proceeds from the Rights Issue	:	Up to approximately HK\$83.5 million before expenses
Right of excess applications	:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

As at the Latest Practicable Date, the Company does not have any outstanding convertible securities, options, derivatives, warrants, conversion rights in issue or similar rights which confer any right to subscribe for, convert or exchange into the Shares.

LETTER FROM THE BOARD

The maximum number of 278,335,994 Rights Shares to be issued and allotted pursuant to the terms of the Rights Issue represents 200.00% of the total number of issued Shares as at the Latest Practicable Date and approximately 66.67% of the total number of issued Shares as enlarged by the allotment and issuance of the Rights Shares immediately after completion of the Rights Issue.

The Rights Issue is only underwritten on a best effort and non-fully underwritten basis. Pursuant to the Company's constitutional documents, the Companies Act of the Cayman Islands, the Companies (WUMP) Ordinance and the GEM Listing Rules, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfilment or satisfaction of the conditions precedent of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level.

In the event of under-subscription, any Rights Shares not taken up by the Qualifying Shareholders whether under PAL(s) or EAF(s), or transferees of nil-paid Rights Shares, and not subscribed by the Underwriter or other subscribers procured by it pursuant to the Underwriting Agreement will not be issued by the Company, and hence, the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.

Undertakings

The Company has undertaken in the Underwriting Agreement that the Company shall not issue new Shares under the general mandate and shall not grant new share options under the share option scheme from the date of the Underwriting Agreement up to and including the Record Date (both days inclusive).

Up to the Latest Practicable Date, the Company has not received any information or irrevocable undertaking from any substantial Shareholder of their intention in relation to the Rights Shares to be provisionally allotted to them under the Rights Issue.

The Subscription Price

The Subscription Price of HK\$0.3 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, upon application for excess Rights Shares, or when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 9.09% to the closing price of HK\$0.330 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 4.76% to the closing price of HK\$0.315 per Share as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM THE BOARD

- (c) a discount of approximately 7.12% to the average closing price of HK\$0.323 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 7.12% to the average closing price of approximately HK\$0.323 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 1.64% to the theoretical ex-rights price of approximately HK\$0.305 per Share based on the closing price of HK\$0.315 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (f) a discount of approximately 88.5% to the audited net asset value per Share of approximately HK\$2.61 (based on the latest published consolidated net asset value of the Group of approximately HK\$363,461,000 as at 31 December 2021 as disclosed in the annual report of the Company for the year ended 31 December 2021 and 139,167,997 Shares in issue as at the Latest Practicable Date).

The Rights Issue would result in a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 4.7%, based on the theoretical diluted price of approximately HK\$0.307 per Share and the benchmarked price (as defined under Rule 10.44A of the GEM Listing Rules) of HK\$0.322 per Share.

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, (i) the market price of the Shares under the prevailing market conditions; (ii) the latest business performance and financial position of the Group; and (iii) the reasons for and benefits of proposed Rights Issue as discussed in the paragraph headed "REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS" in this letter. The Board had taken into consideration that Subscription Price should be set with reference to the fund-raising needs and the requirements of Rule 10.44A of the GEM Listing Rules. Accordingly, the Rights Issue should not result in a theoretical dilution effect of 25% or more.

The Directors noted that the Subscription Price represents a discount of approximately 88.5% to the audited net asset value per Share as at 31 December 2021. Given that (i) the Shares have been consistently traded at a substantial discount to the net asset value per Share since 1 January 2021 and up to the Last Trading Day; (ii) the recent market price of the Shares reflects the recent market sentiment; and (iii) the Subscription Price represents a discount of approximately only 4.76% to the closing price of the Shares on the Last Trading Day, the Directors consider that it is fair and reasonable to make reference to the market price of the Shares, rather than the net asset value per Share in determining the Subscription Price, and that the discount of the Subscription Price to the net asset value per Share is justifiable.

The Board considers that the terms of the Rights Issue, including the Subscription Price which has been set at a discount to the recent closing prices of the Shares with an objective to encourage existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Status of the Rights Shares

The Rights Shares (when allotted, fully-paid or credited as fully-paid and issued) will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company. **If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

Basis of provisional allotments

The Rights Shares will be allotted on the basis of two (2) Rights Shares (in nil-paid form) for every one (1) existing Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made only by lodging a duly completed PAL with a remittance for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Rights of Overseas Shareholders

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

As at the Latest Practicable Date, there was (a) one (1) Overseas Shareholder with registered address situated in the United States, holding 1,117 Shares (representing approximately 0.0008% of the total issued Shares); and (b) three (3) Overseas Shareholders with registered addresses situated in Canada, holding 892 Shares in aggregate (representing approximately 0.0006% of the total issued Shares). In compliance with Rule 17.41(1) of the GEM Listing Rules, the Company has made enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders.

LETTER FROM THE BOARD

Based on the results of enquiries, the Rights Issue cannot be extended to the Overseas Shareholders in Canada and the United States without following the procedures to obtain the exemption from the registration requirements under the relevant securities regulations. In view of the likely costs and time involved if overseas compliance was to be observed, and insignificant shareholding of the Overseas Shareholders in Canada and the United States, the Directors consider that the costs of overseas compliance would outweigh the benefits which the Company and its Shareholders as a whole would receive by including those Overseas Shareholders in the Rights Issue. This Prospectus is not for release, publication or distribution, directly or indirectly, in or into the United States and Canada. The Company will send the Prospectus (without the PAL and the EAF) to the Non-Qualifying Shareholders for their information only.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before dealings in nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid pro rata (but rounded down to the nearest cent) to the Non-Qualifying Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit. Any unsold entitlements of the Non-Qualifying Shareholders will be made available for excess application by the Qualifying Shareholders under the EAF(s).

The Company reserves the right to refuse to accept any application or treat as invalid any acceptance of or applications for the Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Fractional entitlement to the Rights Shares

On the basis of provisional allotment of two (2) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders on the Record Date, no fractional entitlement to the Rights Shares will arise under the proposed Rights Issue. No odd lot matching services will be provided by the Company in respect of the Rights Shares.

Procedures for acceptance and payment or transfer

General

Any person (including, without limitation, agents, nominees and trustees) wishing to take up his/her/its rights under the Rights Issue must satisfy himself/herself/itself as to the full observance of the applicable laws of any relevant territory or jurisdictions including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes and duties due in such territories or jurisdictions. The attention of Shareholders with registered addresses in any of the jurisdictions outside Hong Kong or who hold Shares on behalf of persons, and investors who are located or resided in, with such addresses is drawn to the paragraph headed "Rights of Overseas Shareholders" in this letter.

LETTER FROM THE BOARD

Completion and return of the PAL and/or EAF will constitute a warranty and representation to the Company, from such person, that all registration, legal and regulatory requirements of all relevant jurisdictions other than Hong Kong, in connection with the PAL and any acceptance of it and/or the EAF and any applications under it, have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to any of the above representation and warranty.

The Company may treat as invalid any instruction which appears to the Company to have been despatched from any of the jurisdictions outside Hong Kong and which may involve a breach of the laws of the relevant jurisdictions; or otherwise appears to the Company may involve a breach of the laws of any jurisdiction; or if the Company or its agents believes the same may violate any applicable legal or regulatory requirement.

PAL – Acceptance, payment and transfer

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholders to whom it is addressed to subscribe for the number of the Rights Shares shown thereon. If a Qualifying Shareholder wishes to accept all the Rights Shares provisionally allotted to them as specified in the PAL, he/she/it must lodge the PAL in accordance with the instructions printed thereon with the Registrar, together with a remittance for the full amount payable on acceptance, so as to be received by no later than 4:00 p.m. (Hong Kong time) on Friday, 19 August 2022 (or, under bad weather conditions and/or extreme conditions, such later date as mentioned in the paragraph “Effect of bad weather and/or extreme conditions on the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares” in the section headed “EXPECTED TIMETABLE” in this Prospectus). All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by banker’s cashier orders which must be issued by, a licensed bank in Hong Kong and made payable to “**KOALA FINANCIAL GROUP LIMITED - RIGHTS ISSUE A/C**” and crossed “**Account Payee Only**”.

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar by no later than 4:00 p.m. (Hong Kong time) on Friday, 19 August 2022, whether by the original allottee or any person in whose favour the provisional allotment has been validly transferred, that provisional allotment and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for application under the EAFs by the Qualifying Shareholders. The Company may, at its sole and absolute discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant applicant at a later stage.

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or to transfer part or all of his/her/its rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by not later than 4:00 p.m. on Thursday, 11 August 2022 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL. It should be noted that Hong Kong ad valorem stamp duty is payable in connection with the transfer of your rights to subscribe for the relevant Rights Shares to the transferee(s) and the acceptance by the transferee(s) of such rights.

LETTER FROM THE BOARD

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable legal or regulatory requirements.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders.

All cheques or banker's cashier orders will be presented for payment following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. No receipt will be given in respect of any application monies received. You must pay the exact amount payable upon application for the Rights Shares, and underpaid application will be rejected. In the event of overpaid application, a refund cheque, without interest, will be made out to you if the overpaid amount is HK\$100 or above. Completion and return of the PAL with a cheque or a banker's cashier order, whether by a Qualifying Shareholder or by any nominated transferee(s), will constitute a warranty by the applicant that the cheque or the banker's cashier order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or banker's cashier order is dishonoured on first presentation, and in that event, the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

No action has been taken by the Company to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory or jurisdiction outside Hong Kong. Accordingly, no person receiving the Prospectus Documents in any territory or jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for Rights Shares, unless in the relevant territory or jurisdiction where such an offer or invitation could lawfully be made without compliance with any registration or other legal or regulatory requirements. Subject as referred to below, it is the responsibility of anyone outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself/herself/itself, before subscribing for the provisionally allotted Rights Shares, as to the full observance of the laws and regulations of all relevant territories and jurisdictions, including the obtaining of any governmental or other consents and to pay taxes and duties required to be paid in such territory or jurisdiction in connection therewith.

Any acceptance of the offer of the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been or will be fully complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representation or warranty. If you are in doubt as to your position, you should consult your own professional advisers. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that doing so would violate the applicable securities legislation or other laws and regulations of any territory or jurisdiction. No application for Rights Shares will be accepted from any person who is a Non-Qualifying Shareholder.

LETTER FROM THE BOARD

If any of the conditions of the Rights Issue as set out in the paragraph headed “The Underwriting Agreement - Conditions of the Rights Issue” below are not fulfilled, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on Monday, 29 August 2022.

Action to be taken by Beneficial Owners whose Shares are held by a Registered Shareholder (other than through CCASS)

If you are a Beneficial Owner whose Shares are registered in the name of a Registered Shareholder and you wish to subscribe for the Rights Shares provisionally allotted to such Registered Shareholder in respect of your Shares, or sell the respective nil-paid Rights Shares or “split” those nil-paid Rights Shares and accept part of the provisional allotment and sell the remaining part, you should contact the Registered Shareholder and provide the Registered Shareholder with instructions or make arrangements with the Registered Shareholder in relation to the acceptance, transfer and/or “splitting” of the nil-paid Rights Shares. Such instructions and/or arrangements should be given or made in advance of the relevant dates stated in the section headed “Expected timetable” of this Prospectus and otherwise in accordance with the requirements of the Registered Shareholder in order to allow the Registered Shareholder sufficient time to ensure that your instructions are given effect.

Action to be taken by Beneficial Owners holding interests in Shares through CCASS

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, and you wish to subscribe for the Rights Shares provisionally allotted to HKSCC Nominees Limited in respect of your Shares, or sell the respective nil-paid Rights Shares or “split” those nil-paid Rights Shares and accept part of the provisional allotment and sell the remaining part, you should (unless you are a CCASS Participant) contact your Intermediary and provide your Intermediary with instructions or make arrangements with your Intermediary in relation to the acceptance, transfer and/or “splitting” of the nil-paid Rights Shares. Such instructions and/or arrangements should be given or made in advance of the relevant dates stated in the section headed “Expected timetable” of this Prospectus and otherwise in accordance with the requirements of your Intermediary in order to allow your Intermediary sufficient time to ensure that your instructions are given effect. The procedure for acceptance, transfer and/or “splitting” by CCASS Participants of the Rights Shares provisionally allotted to CCASS stock accounts in respect of the Shares registered in the name of HKSCC Nominees Limited shall be in accordance with the General Rules of CCASS, the CCASS Operational Procedures and any other requirements of CCASS. Beneficial Owners who are CCASS Participants should contact CCASS and provide CCASS with instructions or make arrangements with CCASS in relation to the manner in which such Beneficial Owners’ interests in nil-paid Rights Shares should be dealt with.

LETTER FROM THE BOARD

Application for the excess Rights Shares

Qualifying Shareholders shall be entitled to apply, by way of excess application, for (a) the Rights Shares representing the entitlement of the Non-Qualifying Shareholders and which cannot be sold at a net premium; and (b) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or transferees of nil-paid Rights Shares.

The Directors will allocate the excess Rights Shares (if any) at their discretion, but on a fair and equitable basis as far as practicable on the following principles:

- (a) no preference will be given to applications for topping-up odd-lot holdings to whole-lot holdings as the giving of such preference may potentially be abused by certain investors by splitting their Shares and thereby receiving more Rights Shares than they would receive if such preference is not given, which is an unintended and undesirable result;
- (b) any excess Rights Shares will be allocated to the applicants on a pro rata basis based on the number of excess Rights Shares applied for by them; and
- (c) no reference will be made to Rights Shares subscribed through applications by PALs or the existing number of Shares held by the Qualifying Shareholders.

Pursuant to Rule 10.31(3)(b) of the GEM Listing Rules, the Company will take steps to identify the applications for excess Rights Shares made by any controlling Shareholder (if any) or its associates, whether in their own names or through nominees. The Company shall disregard their applications for excess Rights Shares to the extent that the total number of excess Rights Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by them under their assured entitlement to the Rights Shares.

In the event that the Board notes unusual patterns of excess applications and has reason to believe that any application may have been made with the intention to abuse the mechanism, such application for excess Rights Shares may be rejected at the sole discretion of the Board.

If the aggregate number of Rights Shares being available for excess application is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for. Any Untaken Shares will be taken up by the Underwriter, on a best effort basis, pursuant to the terms and conditions of the Underwriting Agreement.

LETTER FROM THE BOARD

Beneficial owners of the Shares whose Shares are held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the beneficial owners of the Shares whose Shares are registered in name of nominee companies should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually and are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. HKSCC Nominees Limited will allocate the excess Rights Shares it receives to the relevant CCASS Participants pro rata to the number of excess Rights Shares each has applied for, or in such other manner as HKSCC Nominees Limited considers fair and appropriate which is pursuant to the allocation basis stipulated in Rule 8.10.4(ix) of the CCASS Operational Procedures. The procedures for application for excess Rights Shares shall be in accordance with the General Rules of CCASS, the CCASS Operational Procedures and any other applicable requirements of CCASS.

Application for excess Rights Shares can be made by Qualifying Shareholders only and by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a remittance for the sum payable for the excess Rights Shares being applied for with the Registrar at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. (Hong Kong time) on Friday, 19 August 2022 (or, under bad weather conditions and/or extreme conditions, such later date as mentioned in the paragraph "Effect of bad weather and/or extreme conditions on the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares" in the section headed "Expected timetable" in this Prospectus). All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by banker's cashier orders which must be issued by, a licensed bank in Hong Kong and made payable to "**KOALA FINANCIAL GROUP LIMITED - EXCESS APPLICATION ACCOUNT**" and crossed "**Account Payee Only**".

The Company may, at its sole and absolute discretion, treat an EAF as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the EAF is not completed in accordance with the relevant instructions. The Registrar will notify the Qualifying Shareholders of any allotment of the excess Rights Shares made to them. The Company may require such incomplete EAF to be completed by the relevant applicant at a later stage.

The EAF is for use only by the Qualifying Shareholders and is not transferable. The EAF contains further information regarding the procedures to be followed for application of excess Rights Shares by the Qualifying Shareholders. Qualifying Shareholders are advised to study the procedures set out in the EAF carefully.

If no excess Rights Shares are allotted to the Qualifying Shareholder who has applied for excess Rights Shares, it is expected that a cheque for the amount tendered on application in full without interest will be despatched to his/her/its registered address by ordinary post at his/her/its own risk on Monday, 29 August 2022. If the number of excess Rights Shares allotted to the Qualifying Shareholder is less than that applied for, it is expected that a cheque for the amount of the surplus application monies, without interest, will be despatched to his/her/its registered address by ordinary post at his/her/its own risk on Monday, 29 August 2022.

LETTER FROM THE BOARD

All cheques or banker's cashier orders will be presented for payment following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. No receipt will be given in respect of any application monies received. Completion and return of the EAF with a cheque or a banker's cashier order will constitute a warranty by the applicant that the cheque or the banker's cashier order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any EAF in respect of which the cheque or banker's cashier order is dishonoured on first presentation, and in that event, the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If any of the conditions of the Rights Issue as set out in the paragraph headed "The Underwriting Agreement - Conditions of the Rights Issue" below are not fulfilled, the monies received in respect of relevant applications for excess Rights Shares will be returned to the relevant applicant, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on Monday, 29 August 2022.

Certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on Monday, 29 August 2022 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. Each applicant, except HKSCC Nominees Limited, will receive one share certificate for all the allotted Rights Shares. If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques will be despatched on Monday, 29 August 2022 by ordinary post, at the respective Shareholders' own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on Monday, 29 August 2022, by ordinary post to the applicants, at their own risk, to their registered addresses.

Application for listing of the Rights Shares

The Company has applied to the GEM Listing Committee for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

The nil-paid Rights Shares shall have the same board lot size as the existing Shares (i.e. 5,000 Shares in one board lot).

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LETTER FROM THE BOARD

Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be in the board lots of 5,000 Rights Shares and will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy, Financial Reporting Council transaction levy and any other applicable fees and charges in Hong Kong. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Taxation

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding the Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf.

THE UNDERWRITING ARRANGEMENT

On 12 May 2022 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter. Further details of the Underwriting Agreement are set out below.

Underwriting Agreement

Date : 12 May 2022 (after trading hours)

Issuer : The Company

Underwriter : Supreme China Securities Limited

The Underwriter is a licensed corporation carrying out Type 1 (dealing in securities) regulated activity under the SFO and its ordinary course of business includes underwriting of securities

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the Underwriter and its associates do not hold any Shares, and the Underwriter and its ultimate beneficial owners are Independent Third Parties. As such, the Underwriter complies with Rule 10.24A(1) of the GEM Listing Rules

Number of Rights Shares underwritten by the Underwriter : Up to 278,335,994 Rights Shares underwritten by the Underwriter on a best effort basis pursuant to the terms and conditions of the Underwriting Agreement

LETTER FROM THE BOARD

Underwriting commission : 3% of the aggregate Subscription Price in respect of the Rights Shares actually subscribed for through the Underwriter and/or its sub-underwriters

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the financial position of the Group, the size of the Rights Issue, the current and expected market condition and the prevailing market rate. The Company had approached three (3) financial institutions to explore the possibility or their interest in acting as an underwriter of the Company either on a best effort basis or fully-underwritten basis before entering into the Underwriting Agreement. Other than the Underwriter, the other potential underwriters showed no interest to underwrite the Rights Issue. The Underwriter had expressed its interest in acting as the underwriter of the Rights Issue, after taking into account the financial healthiness of the Company (in particular, the net assets value and low gearing ratio) and the scale of the Rights Issue (which is considered acceptable to the Underwriter based on its service capacity).

In determining the underwriting commission, the Board also reviewed the prevailing market rate with reference to the recent rights issue exercises. Based on the key selection criteria of (i) publication of initial announcement of the rights issue from 12 November 2021 (being half year prior to the date of the Underwriting Agreement) up to and including the Last Trading Day; (ii) the rights issue is conducted by companies whose shares are listed on GEM; and (iii) the rights issue is subject to shareholders' approval, the Directors identified four comparables (the "**Four Comparables**"). It is noted that the commission rate of the Four Comparables ranges from 1% to 3.5%. The Directors noted that two out of the Four Comparables were underwritten on best effort basis with underwriting commission of 1%. However, the Directors also observed that one of them was terminated subsequently in March 2022 in view of the prevailing market conditions, in particular, the recent volatility of the financial market since its announcement of the rights issue, the sentiment of the investors and the uncertainty of the global macroeconomic environment. In view of the current economic environment and market sentiment, the Directors considered that a higher commission rate, which is still within the range of the Four Comparables, can increase the incentives for the Underwriter to procure subscribers to subscribe the Rights Shares in the event that the Rights Issue is undersubscribed. Given that (i) the Underwriter is the only financial institution agreed to underwrite the Rights Shares amid the recent uncertain market condition as affected by the fifth wave of COVID-19 in Hong Kong; and (ii) the commission rate for the Rights Issue is within the range of the Four Comparables and is the best rate available to the Company as requested by the Underwriter, the Board considers that the terms of the Underwriting Agreement (including the underwriting commission) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Save for the Underwriting Agreement, the Company has not entered into any agreement, arrangement, understanding or undertaking in regard of the Rights Issue with the Underwriter or any of its connected persons and their respective associates.

LETTER FROM THE BOARD

Termination of the Underwriting Agreement

The Underwriter may terminate the Underwriting Agreement by notice in writing given to the Company at any time prior to the Latest Time for Termination upon the occurrence of certain events. For details, please refer to the section headed “Termination of the Underwriting Agreement” in this Prospectus.

The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. If the Underwriting Agreement does not become unconditional or in the event the Underwriter exercises its rights to terminate the Underwriting Agreement prior to the Latest Time for Termination, then the Rights Issue will not proceed, and all obligation and liabilities of the parties to the Underwriting Agreement will cease and determine and no party will have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save in respect of any antecedent breach of any obligation under the Underwriting Agreement). In such an event, the Company will make a further announcement as and when appropriate.

Conditions of the Rights Issue

The obligations of the Underwriter under the Underwriting Agreement are conditional on the fulfilment (or waiver, if applicable, by the Underwriter) of the following conditions:

- (a) the passing of necessary resolution(s) at the EGM to approve the Rights Issue (including, but not limited to the exclusion of the offer of the Rights Issue to the Non-Qualifying Shareholders) and the Underwriting Agreement by the Shareholders (where applicable, the Independent Shareholders) and the transactions contemplated thereunder by no later than the Prospectus Posting Date;
- (b) the GEM Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares, in nil-paid and fully-paid forms, by no later than the first day of their dealings;
- (c) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one duly certified copy of each of the Prospectus Documents (and all other documents required to be attached thereto) as having been approved by resolution of the Board not later than the Prospectus Posting Date and otherwise in compliance with the GEM Listing Rules and the Companies (WUMP) Ordinance;
- (d) the posting of the Prospectus Documents to the Qualifying Shareholders and the Prospectus to the Non-Qualifying Shareholders by no later than the Prospectus Posting Date;
- (e) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with the terms thereof; and

LETTER FROM THE BOARD

- (f) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement and the representations and warranties given by the Company under the Underwriting Agreement remaining true, correct and not misleading in all material respects.

The conditions precedent, save and except paragraph (f) above which can only be waived by the Underwriter, are incapable of being waived.

The Company shall use all reasonable endeavours to procure the fulfilment of the conditions precedent set out in paragraphs (a) to (d) and (f) above by the Latest Time for Termination. If the conditions precedent set out in the above paragraphs are not satisfied (or, if applicable, waived by the Underwriter) in whole or in part on or before the Latest Time for Termination and/or the condition set out in paragraph (f) does not remain fulfilled (unless waived by the Underwriter under the terms of the Underwriting Agreement) up to the Latest Time for Termination or the Underwriting Agreement shall be rescinded by the Underwriter pursuant to the terms thereof, the Underwriting Agreement shall terminate (save in respect of the surviving provisions in relation to fees and expenses, indemnity, notices and governing law), all obligations and liabilities of the parties to the Underwriting Agreement will cease and determine and no party thereto will have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches, and the Rights Issue will not proceed.

As at the Latest Practicable Date, none of the above conditions have been fulfilled except paragraph (a).

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in (i) provision of securities brokerage, margin financing, share placements and underwriting services (the “**Securities Brokerage Business**”); (ii) money lending (the “**Money Lending Business**”); (iii) securities investment; (iv) provision of assets management services; and (v) leasing of investment properties.

As disclosed in the annual report of the Company for the year ended 31 December 2021, the Group recorded revenue of approximately HK\$19.2 million from the Securities Brokerage Business for the year, representing approximately 55% growth from approximately HK\$12.4 million in the previous year. The Board expects that the Securities Brokerage Business will become one of the major growth drivers to the Group. With a view to further improving the revenue from the Securities Brokerage Business, the Group plans to continue to reserve additional funds for the expansion of margin financing services.

LETTER FROM THE BOARD

The Group carries out the Securities Brokerage Business through its subsidiary, namely KOALA Securities Limited (“**KOALA Securities**”), a licensed corporation carrying out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO. It had received requests from clients and other securities firms for the granting of margin financing for stock trading activities, including but not limited to, margin and short-term initial public offering (“**IPO**”) loans. However, the Board expects that, without further capital injection, the size of margin financing will be limited by the existing scale of capital base of KOALA Securities as governed by the Financial Resources Rules. Pursuant to the Financial Resources Rules, liquid capital is the amount by which a licensed corporation’s liquid assets exceeds its ranking liabilities where (i) liquid assets are the amount of assets held by the licensed corporation, adjusted for such factors to take into account liquidity of certain assets as well as credit risks; and (ii) ranking liabilities are the sum of liabilities on the balance sheet of the licensed, adjusted for such factors to take into account market risks and contingency.

As at 31 December 2021, the cash and cash equivalents of the Group was approximately HK\$123.5 million, of which (i) approximately HK\$56.6 million was allocated for the Securities Brokerage Business; (ii) approximately HK\$32.7 million for securities investment; (iii) approximately HK\$25.7 million was allocated for the Money Lending Business; and (iv) the remaining balance of approximately HK\$8.5 million was reserved for general working capital. Majority of the Group’s existing financial resources has been allocated to the Securities Brokerage Business, which is the core business segment of the Group. During the year ended 31 December 2021, the Securities Brokerage Business had underwritten four (4) rights issue exercises with an average underwritten amount of approximately HK\$52.5 million. The financial resources of approximately HK\$56.6 million as at 31 December 2021 was allocated for supporting the existing operating scale of the Securities Brokerage Business, in particular, for the business need of the underwriting service. For the six months ended 30 June 2022, KOALA Securities has underwritten one (1) rights issue exercise on a fully underwritten basis with a total underwritten amount of approximately HK\$65.38 million. With an aim to diversify the risk and share the financial commitment, KOALA Securities entered into a sub-underwriting agreement with a sub-underwriter.

In respect of the Money Lending Business, the Group has provided new loans of approximately HK\$31.5 million in aggregate during the two years ended 31 December 2021. The Group plans to cautiously expand its loan business by soliciting new customers. The financial resources of approximately HK\$25.7 million was allocated for supporting the continuing development of the Money Lending Business.

Based on its historical financial record, the Group required general working capital of over HK\$13 million for settling the administrative expenses for a 12-month period. It is the Group’s plan to enhance the general working capital reserve to cover the administrative expenses for at least a 12-month period. The allocated financial resources of approximately HK\$8.5 million represents merely 65% of the target level.

LETTER FROM THE BOARD

Having regard to the aforementioned funding needs required for the continuing development of the Money Lending Business as well as the general working capital, the Board considers that it is not desirable to deploy the allocated financial resources from these areas to the Securities Brokerage Business. On the contrary, the Rights Issue allows the Group to satisfy the funding needs of the margin financing business without sacrificing business growth of other business segments and is therefore considered a better option to the Group.

In respect of the securities investment segment, the market value of the equity investments held by the Group as at 31 December 2021 was approximately HK\$126.4 million. Approximately 69.6% of such investment portfolio represented the investment in the listed securities of Hong Kong Aerospace Technology Group Limited (the “**Aerospace Technology Shares**”). As disclosed in the Company’s announcements dated 7 March 2022 and 17 June 2022, the Company proposed to seek and had obtained the approval for the disposal mandate (the “**Disposal Mandate**”) to allow the Directors to dispose of the Aerospace Technology Shares (the “**Aerospace Disposal**”). The Company intended to use the proceeds from the Aerospace Disposal to develop the Group’s existing businesses, in particular the Securities Brokerage Business and Money Lending Business. Nevertheless, whether and when the Company will proceed with the Aerospace Disposal will depend on a number of factors including without limitation the prevailing market sentiments and market conditions at the proposed time of executing the Aerospace Disposal. The exact amount of the proceeds from the Aerospace Disposal will be subject to the number of Aerospace Technology Shares being disposed of and the price at which they are sold. The Board therefore considers that, in light of the uncertainties aforesaid, it is not preferred to rely on the proceeds from the Aerospace Disposal to satisfy the business need of the margin financing service. In addition, the Aerospace Disposal as mentioned above is part of the Group’s investment strategy to balance its portfolio of investments and optimise the Group’s return as a whole. The Board has earmarked the intended use of proceeds from the Aerospace Disposal for funding the Securities Brokerage Business and Money Lending Business, both of which require capital investment for sustaining business growth. Nevertheless, the Group has no plan to discontinue the securities investment segment, especially when it achieved an outstanding financial performance with a segment profit of approximately HK\$96.4 million registered for the year ended 31 December 2021. As at the Latest Practicable Date, the Group has not disposed of any Aerospace Technology Shares.

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. Giving top priority to prevention of excessive risk, the Company makes prudent decisions in respect of such investments on the principle of protecting the interests of its Shareholders and the Company as a whole. The investment primarily focuses on, among others, industries which are developing sectors with relatively higher growth potential which are in line with the trend of the market. The Group’s decision to purchase a stock is made without regard to the market capitalization of the company or its weighting in any market index. The Group may invest in companies of all sizes, which includes large, mid-cap, and small-cap securities. The Group would monitor the global macroeconomic factors and trends as well as local economic and political factors in Hong Kong to identify the appropriate investment themes. Individual stocks are then selected based on fundamental and/or technical analysis assessment to fit into the investment themes identified.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Group has not identified any investment target. The Group will continue to identify appropriate securities investment opportunities from time to time. The timing of utilising the cash and cash equivalents of HK\$32.7 million allocated will be subject to the availability of investment opportunities. Nonetheless, the Board considers it is necessary to reserve certain level of cash resources, having regard that securities investment requires immediate readily available cash for capturing potential investment opportunities as and when they arise. Based on the above, the Board considers that it is not desirable to deploy the remaining cash resources from securities investment to the Securities Brokerage Business.

The Board observes the increasing demand from the new economy enterprises seeking to have listings in Hong Kong over the past two years. During the year ended 31 December 2021, the stock market in Hong Kong set new trading activity records, including the new-high total trading volume. In the same period, the Group's margin financing service generated revenue of approximately HK\$6.2 million, representing a 22% growth from the previous year. The Board also anticipates that the return listings of China concept stocks will further drive the growth of the IPO market in Hong Kong, leading to the growing appetite for margin financing in the second half of 2022. According to the market statistics published by the Securities and Future Commission of Hong Kong, the margin business in Hong Kong developed rapidly in recent years. The number of active margin clients increased from 1,470,396 as at 31 December 2020 to 2,219,721 as at 31 December 2021, representing an increment of about 51%. It is also observed that the number of securities dealers and securities margin financiers also experienced a growth, from 1,391 as at 31 December 2020 to 1,433 as at 31 December 2021. The Company expects that the strong demand in margin financing services will continue to remain stable in the upcoming future.

The following sets out certain key metrics for the margin financing services for the financial periods of 2019, 2020 and 2021:

	As at 31 December		
	2021	2020	2019
	<i>HK\$ 'million</i>	<i>HK\$ 'million</i>	<i>HK\$ 'million</i>
Accounts receivable from margin clients	57.5	45.2	3.8
	For the year ended 31 December		
	2021	2020	
	<i>HK\$ 'million</i>	<i>HK\$ 'million</i>	
Revenue generated from margin financing service		6.2	5.1

LETTER FROM THE BOARD

KOALA Securities commenced its margin financing business since 2019 and experienced a substantial growth in the following two financial years. It is noted that the accounts receivable from margin clients increased at a compound annual growth rate (CAGR) of approximately 289% from approximately HK\$3.8 million as at 31 December 2019 to approximately HK\$57.5 million as at 31 December 2021. According to the client records of KOALA Securities, number of margin clients also recorded an increase at a CAGR of over 261% from 2019 to 2021. The Directors anticipate that the margin financing business of KOALA Securities will continue to be scaled up in the next two to three years following the recovery from COVID-19. The Directors considered that enlarging the margin financing capacity would be critical for KOALA Securities to avoid losing market competitiveness, to accelerate the expansion of margin financing business and to maintain the brand awareness in the market.

To finance the development of margin financing business, the Company initially spared approximately HK\$31.8 million cash resources, which was the new capital raised by way of open offer completed in 2017. However, the business growth of margin financing service in 2020 has been stronger than the expectation of the Group. The accounts receivable from margin clients as at 31 December 2020 amounted to approximately HK\$45.2 million, exceeding the initial reserve of approximately HK\$31.8 million. The balance further grew to approximately HK\$57.5 million as at 31 December 2021. In other words, the margin financing activities currently shares the same pool of funds with the other service lines of the Securities Brokerage Business, such as, the underwriting service.

Since there is no set repayment schedule with margin loans, the Group has been unable to accurately predict the cash flow schedule, which led to the practical difficulty to reserve financial resources for committing fully-underwritten underwriting exercises. The Directors considered that, if there was a better management of financial resources, KOALA Securities would be able to secure more underwriting exercises on fully-underwritten basis rather than on best effort basis and the commission income would be higher accordingly.

In view of the above, the Directors believe that the business potential of the Securities Brokerage Business has not been fully unleashed, as certain business opportunities as described above were missed due to the lack of clarity of the allocation of financial resources. Looking forward, the Group plans to separate the financial resources for underwriting and margin financing, which will enable the Group to optimize the business development of each business activity, for instance, to secure more fully underwritten underwriting exercises and soliciting med-cap of listed clients for larger underwriting size.

LETTER FROM THE BOARD

Based on the financial resources of the Securities Brokerage Business as at 30 June 2022, the maximum financial capacity for both underwriting exercises and margin financing is approximately HK\$129.8 million (the “**Existing Capacity**”), comprising (i) cash and cash equivalents allocated for the Securities Brokerage Business of approximately HK\$64.5 million; and (ii) approximately HK\$65.3 million was accounts receivable from margin clients. With reference to the latest fully underwritten rights issue exercise conducted by KOALA Securities, the financial commitment was approximately HK\$65.4 million, which represented approximately 50.4% of the Existing Capacity. In other words, under the Existing Capacity, the margin financing credit will be significantly limited when the cash resources are occupied by the underwriting service line and vice versa. Having considered the above, the Board intends to reserve the cash portion of the Existing Capacity of approximately HK\$64.5 million for underwriting exercises and therefore expects that, without further new capital, the existing financial resources of KOALA Securities will not be able to meet funding needs of margin financing business. Before resolving to implement the Rights Issue, the Board also considered whether the funding need can be supported by the cash flow generated from the operating activities of the Group. However, the net cash generated from the operating activities of the Group amounted to merely approximately HK\$11.0 million for the year ended 31 December 2021, which is obviously not sufficient to support the expansion plan of the margin financing business. As such, the Company intends to allocate net proceeds of approximately HK\$72.0 million from the Rights Issue to strengthen the capital base of the margin financing business of the Group. KOALA Securities’ management estimates that, upon completion of the Rights Issue, the maximum amount of margin financing credit and underwriting exercises that can be offered to clients would increase to approximately HK\$201.8 million, representing an increase of approximately 55.5% from the Existing Capacity. While additional margin financing will bring in new revenue, the enlarged capacity of the margin financing services will help to attract new customers who have strong demand for both financing and related financial services. Currently, the margin financing services of KOALA Securities generates interest income at the annual rates of approximately 2% to 16%, which are generally higher than the prime lending rates as quoted by major commercial banks in Hong Kong. The expansion of the margin financing services would increase interest income, potentially broaden customer base, and lead to the growth in the Securities Brokerage Business as customers are required to trade through their accounts with KOALA Securities when utilising its margin financing services.

Upon completion of the Rights Issue, the Group plans to further expand the margin financing services by soliciting new margin clients primarily through:

- (i) promoting customer awareness of its own brand – “Koala Securities (樹熊證券)”. The Group mainly advertises its services in the media (including social media over the internet);
- (ii) its licensed representatives who are responsible for sourcing new customers, maintaining client relationships, promoting its services and soliciting new customers through referrals from existing customers;
- (iii) performing marketing activities with professional parties and existing customers to strengthen business relationships; and
- (iv) participating in charity events that enhance the Group’s sense of social responsibilities to promote corporate image.

LETTER FROM THE BOARD

The Board is of the view that the Rights Issue will enable the Group to strengthen its capital base for the margin financing business and enhance its working capital position. Furthermore, the Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and participate in the growth and development of the Group.

The Board has also considered other alternative means of fund raising before resolving to the Rights Issue, including but not limited to debt financing, placing and open offer. However, the Board considers that debt financing will result in additional interest burden and higher gearing ratio of the Group. In addition, debt financing may not be achievable on favourable terms in a timely manner. As for equity fund raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company. As for open offer, while it is similar to a rights issue, offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market.

In view of the above, the Board considers that raising funds by way of the Rights Issue is more cost effective, efficient and beneficial to the Company and the Shareholders as a whole as compared to raising fund by other means.

Assuming full subscription under the Rights Issue, it is estimated that the Company will raise gross proceeds of approximately HK\$83.5 million from the Rights Issue and the relevant expenses would be approximately HK\$3.4 million, which include underwriting commission and professional fees. The estimated net proceeds from the Rights Issue will be approximately HK\$80.1 million (equivalent to a net price of approximately HK\$0.29 per Rights Share). In line with the aforesaid business objectives, the Company intends to utilise the net proceeds from the Rights Issue as follows:

- (a) approximately HK\$72.0 million (or approximately 90% of the total net proceeds) to be applied for the expansion of the Group's margin financing business on or before December 2022; and
- (b) the remaining balance of approximately HK\$8.1 million (or approximately 10% of the total net proceeds) to be applied for general working capital of the Group on or before December 2023. The following table sets out the breakdown of the intended use of proceeds as general working capital of the Group:

	<i>HK\$'million</i>
Staff costs	4.5
Rental expenses	2.0
Other operating expenses	1.6
	<hr/>
Total	8.1
	<hr/> <hr/>

LETTER FROM THE BOARD

In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

The Board considered that the Rights Issue provides a good opportunity for the Group to expand its margin financing business and enhance its financial position, while at the same time the Rights Issue will enable all Qualifying Shareholders to participate in the future development of the Company on equal terms to maintain their respective pro-rata shareholdings in the Company. Hence, the Board considered that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (a) as at the Latest Practicable Date; (b) immediately after the Rights Issue (assuming all Rights Shares are subscribed for by the Qualifying Shareholders); and (c) immediately after the Rights Issue (assuming no Qualifying Shareholders takes up any of the Rights Shares and the Underwriter takes up all Rights Shares pursuant to the Underwriting Agreement).

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue			
			Assuming all Rights Shares are subscribed for by the Qualifying Shareholders		Assuming no Qualifying Shareholder takes up any of the Rights Shares and the Underwriter takes up all the Rights Shares pursuant to the Underwriting Agreement	
	<i>No. of Shares</i>	<i>Approx.% (Note 1)</i>	<i>No. of Shares</i>	<i>Approx.% (Note 1)</i>	<i>No. of Shares</i>	<i>Approx.% (Note 1)</i>
Wong Ka Man	26,533,363	19.07	79,600,089	19.07	26,533,363	6.36
Underwriter, sub-underwriter(s) and/or subscriber(s) procured by them (Notes 2&3)	-	-	-	-	278,335,994	66.67
Public Shareholders	112,634,634	80.93	337,903,902	80.93	112,634,634	26.98
Total	139,167,997	100.0	417,503,991	100.0	417,503,991	100.0

Notes:

- (1) The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.
- (2) Pursuant to the Underwriting Agreement, the Underwriter the Company shall notify the Underwriter in writing the actual number of Untaken Shares as at the Latest Time for Acceptance, and shall procure for subscription therefor on a best effort basis.

LETTER FROM THE BOARD

- (3) In any event and notwithstanding any provisions under the Underwriting Agreement, the Underwriter irrevocably undertakes to the Company that (i) each of the subscribers of the Untaken Shares procured by the Underwriter (or the Underwriter concerned, whichever shall be appropriate) shall be an Independent Third Party and are not acting in concert (within the meaning of the Takeovers Code) with the Underwriter and its associates; (ii) the Underwriter shall and shall cause the sub-underwriters to procure independent subscribers and/or placees to take up such number of Untaken Shares as necessary to ensure that the Company will comply with the public float requirement under the GEM Listing Rules upon completion of the Rights Issue; and (iii) the Underwriter or each subscriber procured by the Underwriter (together with parties acting in concert with the respective subscribers or any of the connected persons or associates of the respective subscribers) shall not hold in aggregate 30% or more of the voting rights of the Company immediately after the Rights Issue.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY FOR THE PAST TWELVE MONTHS

The Company has not conducted any rights issue, open offer and/or specific mandate placing within the 12-month period immediately preceding the date of the Announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of such rights issue, open offers and/or specific mandate placings within such 12-month period.

GEM LISTING RULES IMPLICATIONS

Since the proposed Rights Issue will increase the issued share capital or the market capitalisation of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the proposed Rights Issue must be made conditional on approval by the Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the proposed Rights Issue. The Rights Issue has been approved by the Independent Shareholders at the EGM held on 11 July 2022 and no Shareholder was required under the GEM Listing Rules to abstain from voting on the proposed resolution at the EGM.

The Company has not conducted any rights issue, open offer and/or specific mandate placing within the 12-month period immediately preceding the date of the Announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of such rights issue, open offers and/or specific mandate placings within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

LETTER FROM THE BOARD

RISK FACTORS

In compliance with the GEM Listing Rules, the Company sets out below the risk factors of the Group for the Shareholders' attention. The Directors believe that there are certain risks involved in the operations of the Group which include, but do not limit to, the following:

Business risks relating to the Group

The business of the Group is subject to the volatility and activeness of the financial markets which are unpredictable in nature. Any sudden downturn in the market sentiment, the global economic and sudden change in political environment may adversely affect the financial market, the Group's ability to generate revenues as well as the financial performance and position of the Group including the fair value changes of investment in securities.

In additions, the Group is also exposed to credit risks. The Group may record expected credit loss on loans and interest receivable if the customers default in repayment of loan or interests.

Risks relating to the Share price

The price and trading volume of the Shares are determined by demand and supply of investors for the Shares on the open market and may be highly volatile. Factors such as variations in the Group's revenue, earnings and cash flows, changes in or challenges to its business, announcements of new investments, acquisitions or disposals, the depth and liquidity of the market for the Shares, investors' perceptions of the Group and general political, economic, social and market conditions both globally and in Hong Kong could cause the market price of the Shares to change substantially.

Risks relating to the Rights Issue

Under the Underwriting Agreement, the Underwriter shall be entitled by notice in writing to the Company to terminate its obligations upon the occurrence of any of the events stated in the section headed "Termination of the Underwriting Agreement" of this Prospectus on or before the Latest Time for Termination.

Moreover, should the Rights Issue proceed as intended, the interest of the existing Shareholders will be diluted if they do not or cannot, as the case may be, subscribe for the Rights Shares which they are entitled to.

Additional risks

Additional risks and uncertainties not presently known to the Directors, or not expressed or implied above, or otherwise deemed immaterial by the Directors as at the Latest Practicable Date, may also adversely affect the business of the Group in a material aspect.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Termination of the Underwriting Agreement” in this Prospectus). Accordingly, the Rights Issue may or may not proceed.

The Shares have been dealt in on an ex-rights basis from Wednesday, 27 July 2022. Dealings in the Rights Shares in nil-paid form are expected to take place from Tuesday, 9 August 2022 to Tuesday, 16 August 2022 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. Any Shareholder or other person dealing in the Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

ADDITIONAL INFORMATION

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

By order of the Board
KOALA FINANCIAL GROUP LIMITED
Kwan Kar Ching
Executive Director

1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the three financial years ended 31 December 2019, 2020 and 2021 were disclosed in the annual reports of the Company for the years ended 2019 (pages 34 to 116), 2020 (pages 37 to 112) and 2021 (pages 42 to 120) respectively. The aforementioned financial information of the Group has been published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.koala8226.com.hk). Please refer to the hyperlinks as stated below:

2019 annual report:

<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0331/2020033100917.pdf>

2020 annual report:

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0330/2021033000634.pdf>

2021 annual report:

<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0330/2022033002168.pdf>

2. STATEMENT OF INDEBTEDNESS

As at 30 June 2022, being the most recent practicable date for the purpose of this indebtedness statement, the Group had the following indebtedness:

	As at 30 June 2022 HK\$'000
Other borrowings – unsecured and unguaranteed (note)	20,000
Lease liabilities	1,406
	<u>21,406</u>

Note: Other borrowings represent the two corporate bonds with principal amount of HK\$10,000,000 which were due on 29 September 2021 and 9 March 2022, respectively, for repayment. The balance is unsecured, interest bearing and repayable on demand.

Save as aforesaid and apart from intra-group liabilities and normal account payables in the ordinary course of business, as at the close of business on 30 June 2022, the Group did not have any significant contingent liabilities, debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages or charges, contingent liabilities or guarantees outstanding.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, after taking into consideration the Group's present financial resources and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this Prospectus in the absence of any unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

Reference is made to the first quarterly report for the three months ended 31 March 2022 of the Company (the **"2022 First Quarterly Report"**) published on 13 May 2022 in relation to the first quarterly results for the three months ended 31 March 2022, in which it was disclosed that the Group recorded a loss and total comprehensive expense attributable to the owners of the Company of approximately HK\$38.5 million for the three months ended 31 March 2022 as compared to the profit and total comprehensive income attributable to the owners of the Company of approximately HK\$3.6 million for the same corresponding period in 2021. The reason for the net loss was the unrealised loss on listed securities of approximately HK\$47.7 million as a result of the downturn of the equity market in Hong Kong.

Save as disclosed in the 2022 First Quarterly Report, the Directors confirm that there had been no material adverse change in the financial or trading position of the Group since 31 December 2021 (the date to which the latest published audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

5. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group recorded net current assets of approximately HK\$312.0 million as at 31 December 2021. For the year ended 31 December 2021 (**"FY2021"**), the Group recorded a turnover and net profit of approximately HK\$25.9 million and HK\$82.7 million respectively.

The Group is principally engaged in (i) the Securities Brokerage Business; (ii) the Money Lending Business; (iii) securities investment; (iv) leasing of investment properties; and (v) provision of assets management services. The Securities Brokerage Business has been the main contributor to the Group's revenue in recent years.

Securities Brokerage Business

The outbreak of the 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 its efforts to expand the business by broadening the customer base and cultivate new clients for long term growth.

In order to increase the Group's competitiveness and expand the Group's 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 have greatly improved its 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.

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 FY2021 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 outbreak of the COVID-19 had further worsened the economy, and heightened volatility and risks. The Group 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 FY2021, 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 FY2021, an impairment loss of approximately HK\$5.0 million (2020: nil) were prudently made in its money lending activities after reviewing the relevant borrowers' financial positions.

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.

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 FY2021, 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).

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.

During FY2021, 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.

Asset management

For asset management, the operation was at the start-up stage, the Group expects it could provide some sources of stable and diversified income over the long term.

For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions for the financial periods concerned.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company which has been prepared in accordance with paragraph 7.31 of the GEM Listing Rules is set out to illustrate the effect of the Rights Issue on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had been completed on 31 December 2021.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2021 is prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at the date to which it is made up or at any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2021 is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2021, as extracted from the published annual report of the Company for the year ended 31 December 2021, with adjustments described below.

Audited adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2021	Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2021 immediately after the completion of the Rights Issue	Audited adjusted consolidated net tangible assets of the Group per Share attributable to the owners of the Company immediately after completion of the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the owners of the Company immediately after completion of the Rights Issue
HK\$'000 (Note i)	HK\$'000 (Note ii)	HK\$'000	HK\$' (Note iii)	HK\$' (Note iv)
Based on of 278,335,994 Rights Shares at Subscription Price of HK\$0.3 per Rights Share				
314,746	80,100	394,846	2.26	0.95

Notes:

- (i) The audited adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2021 of approximately HK\$314,746,000 is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 31 December 2021 of HK\$353,048,000, adjusted by excluding goodwill of HK\$18,302,000 and other intangible assets of HK\$20,000,000 as shown on the consolidated statement of financial position of the Group as at 31 December 2021 as extracted from the published annual report of the Company for the year ended 31 December 2021.
- (ii) The estimated net proceeds from the Rights Issue of approximately HK\$80,100,000 is calculated based on 278,335,994 Rights Shares to be issued (in the proportion of two Rights Shares for every one Share held as at the close of business on the Record Date) at the Subscription Price of HK\$0.3 per Rights Share, after deduction of the estimated related expenses of approximately HK\$3,400,000, including among others, underwriting commission and professional fees, which are directly attributable to the Rights Issue.
- (iii) The audited adjusted consolidated net tangible assets of the Group per share attributable to the equity holders of the Company as at 31 December 2021 is HK\$2.26, which is calculated based on the audited adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2021 of HK\$314,746,000 as set out in note (i) above divided by 139,167,997 shares in issue as at 31 December 2021.
- (iv) The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to the owners of the Company immediately after completion of the Rights Issue of HK\$0.95 is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of the Rights Issue of HK\$394,846,000 divided by 417,503,991 shares, comprising 139,167,997 Shares in issue as at 31 December 2021 and 278,335,994 Rights Shares to be issued, pursuant to the Rights Issue (in the proportion of two Rights Shares for one Share held as at the close of business on the Record Date), that are in issue assuming that the Rights Issue had been completed on 31 December 2021.
- (v) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2021.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT

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

**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 (collectively the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2021 and related notes (the “**Pro Forma Financial Information**”) as set out in on pages II-1 to II-2 of the prospectus dated 5 August 2022 (the “**Prospectus**”) issued by the Company. The applicable criteria on the basis of which the directors have compiled the Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed rights issue of 278,335,994 rights shares at subscription price of HK\$0.3 per rights share (the “**Rights Share**”) on the basis of two Rights Shares for every share of the Company held on the rights issue record date (the “**Rights Issue**”) on the Group's audited consolidated net tangible assets attributable to the equity holders of the Company as at 31 December 2021 as if the Rights Issue had taken place on 31 December 2021. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's audited consolidated financial statements for the year ended 31 December 2021, on which an audited report has been published.

DIRECTORS' RESPONSIBILITY FOR THE PRO FORMA FINANCIAL INFORMATION

The directors are responsible for compiling the 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 Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* 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 behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 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 Rules, on the 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 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 Prospectus* issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Rules and 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 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 Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in this Prospectus 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 Rights Issue at 31 December 2021 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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 unaudited pro forma adjustments give appropriate effect to those criteria; and
- The 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 Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the 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 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 purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

CWK CPA Limited

Certified Public Accountants

Hong Kong

5 August 2022

1. RESPONSIBILITY STATEMENT

This Prospectus, 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

2. SHARE CAPITAL

The authorised and issued and fully paid share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately after completion of the Rights Issue (assuming full acceptance of the Rights Issue) were as follows:

(i) As at the Latest Practicable Date

<i>Authorised:</i>	<i>HK\$</i>
<u>1,000,000,000</u> Shares of HK\$0.2 each	<u>200,000,000</u>
<i>Issued and fully paid:</i>	
<u>139,167,997</u> Shares of HK\$0.2 each	<u>27,833,599</u>

(ii) Immediately after completion of the Rights Issue (assuming full acceptance of the Rights Issue)

<i>Authorised:</i>	<i>HK\$</i>
<u>1,000,000,000</u> Shares of HK\$0.2 each	<u>200,000,000</u>
<i>Issued and fully paid:</i>	
139,167,997 Shares of HK\$0.2 each	27,833,599
278,335,994 Rights Shares of HK\$0.2 each to be allotted and issued under the Rights Issue	55,667,199
<u>417,503,991</u> Total	<u>83,500,798</u>

All the existing Shares in issue are fully-paid and rank *pari passu* in all respects including all rights as to dividends, voting and return of capital. The Rights Shares (when allotted, issued and fully-paid) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares in their fully-paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares.

Neither part of the share capital nor any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived. The Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, none of the capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, none of the Directors or chief executive of the Company and/or any of their respective associates had or was deemed to have any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial Shareholders and other person

Save as disclosed below, as at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, no person or company (other than a Director or chief executive of the Company), had, or were deemed or taken to have interests or short positions in the Shares or underlying 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 and required to be entered into the register maintained by the Company pursuant to Section 336 of the SFO, who were, directly or indirectly, interested in 5% or more of the number of any class of share carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Long positions in the Shares:

Name of substantial Shareholders	Capacity	Total number of Shares held	Approximate percentage of total number of issued Shares
Ms. Wong Ka Man	Beneficial owner	26,533,363	19.07%

4. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date:

- (a) none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021 (being the date to which the latest published audited accounts of the Group were made up); and
- (b) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which is subsisting as at the Latest Practicable Date and is significant in relation to the business of the Group

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or was proposing to enter into any service contracts with the Company or any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).

7. COMPETING INTERESTS

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors, controlling shareholder of the Company nor their respective close associates (as defined in the GEM Listing Rules) had any interest in a business, which competes or may compete, either directly or indirectly, with the business of the Group or any other conflict of interest which any such person has or may have with the Group which would be required to be disclosed pursuant to the GEM Listing Rules.

8. MATERIAL CONTRACTS

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

- (a) the Underwriting Agreement.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion, letter or advice contained in this Prospectus:

Name	Qualification
CWK CPA Limited	Certified Public Accountants under Professional Accountant Ordinance (Cap. 50 of Laws of Hong Kong) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588 of Laws of Hong Kong)

As at the Latest Practicable Date, CWK CPA Limited has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

CWK CPA Limited confirmed that as at the Latest Practicable Date:

- (i) it did not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and
- (ii) it was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021 (being the date to which the latest published audited accounts of the Company were made up) and up to the Latest Practicable Date.

10. EXPENSES

The expenses in connection with the Rights Issue, including underwriting commission and professional fees payable to financial advisers, legal adviser, reporting accountants, financial printer and other parties involved in the Rights Issue are estimated to be approximately HK\$3.4 million, which are payable by the Company.

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Board of Directors

Executive Directors:

Ms. Kwan Kar Ching (*Board Chairlady*)

Ms. Hsin Yi-Chin

Independent non-executive Directors:

Mr. Hung Cho Sing

Mr. Luk Kin Ting

Mr. Ng Wah Leung

Audit Committee:

Mr. Ng Wah Leung (*Committee Chairman*)

Mr. Hung Cho Sing

Mr. Luk Kin Ting

Nomination Committee:

Ms. Kwan Kar Ching (*Committee Chairlady*)

Mr. Hung Cho Sing

Mr. Ng Wah Leung

Remuneration Committee:

Mr. Ng Wah Leung (*Committee Chairman*)

Mr. Hung Cho Sing

Ms. Kwan Kar Ching

Registered office	Cricket Square Hutchins Drive P. O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Units 01-02, 13th Floor Everbright Centre 108 Gloucester Road Wan Chai, Hong Kong
Authorised representatives	Ms. Kwan Kar Ching Mr. Tse Chi Shing
Compliance officer	Ms. Kwan Kar Ching
Company secretary	Mr. Tse Chi Shing
Principal share registrar and transfer office in the Cayman Islands	Suntera (Cayman) Limited Suite 3204, Unit 2A, Block 3 Building D, P.O. Box 1586, Gardenia Court Camana Bay, Grand Cayman KY1-1110 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Union Registrars Limited Suites 3301-04, 33/F Two Chinachem Exchange Square 338 King's Road, North Point Hong Kong
Principal banker	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Central Hong Kong Chong Hing Bank Limited Chong Hing Bank Centre 24 Des Voeux Road Central Hong Kong

Legal adviser to the Company	TANG TSO & LAU Room 209, 2/F China Insurance Group Building 141 Des Voeux Road Central Hong Kong
Reporting accountants	CWK CPA Limited Units 2110-2111, 21/F Cosco Tower 183 Queen's Road Central Hong Kong
Financial adviser to the Company	Akron Corporate Finance Limited Room 811-812, China United Centre 28 Marble Road, North Point Hong Kong
Underwriter	Supreme China Securities Limited Room No. 2506 Tai Tung Building No.8 Fleming Road Wan Chai, Hong Kong

12. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

(a) Profiles of the Directors and senior management

Executive Directors

Ms. Kwan Kar Ching (“**Ms. Kwan**”), aged 33, was appointed as an executive Director and the chairlady of the Company in April 2015 and in June 2016 respectively. Ms. Kwan holds a bachelor degree of business administration in accounting and finance from the University of Hong Kong. Ms. Kwan had worked for international bank and financial institution. She has over 10 years of experience in banking, asset management and investment.

Ms. Hsin Yi-Chin (“**Ms. Hsin**”), aged 35, was appointed as an executive Director in April 2016. She holds a bachelor degree in Chinese Literature from Providence University and a master degree of Science in Management from University of Leicester. Ms. Hsin has several years’ experience in educational sector and managerial experience in food and catering sector in Taiwan.

Independent non-executive Directors

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

Mr. Hung 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 (“**Mr. Luk**”), 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.

Mr. Ng Wah Leung (“**Mr. Ng**”), aged 43, 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.

Senior Management

Mr. Tse Chi Shing (“**Mr. Tse**”), aged 38, joined the Group in April 2011. He is the chief financial officer and the company secretary of the Company. Mr. Tse holds a bachelor degree of arts in accountancy from the Hong Kong Polytechnic University. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and has over 15 years of experience in accounting and audit on Hong Kong listed companies and private companies.

(b) Business address of the Directors, the senior management and authorised representatives

The business address of the Directors, the senior management and authorised representatives is the same as the Company’s head office and principal place of business in Hong Kong located at Units 01-02, 13th Floor, Everbright Centre, 108 Gloucester Road, Wan Chai, Hong Kong.

13. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of each of the Prospectus Documents and the written consent referred to in the paragraph headed “9. Expert and Consent” in this appendix have been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies (WUMP) Ordinance.

14. BINDING EFFECT

The Prospectus Documents and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. When an acceptance or application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance, so far as applicable.

15. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board (the “**Audit Committee**”) comprised three independent non-executive Directors, namely, Mr. Ng Wah Leung, Mr. Hung Cho Sing and Mr. Luk Kin Ting. The Audit Committee is chaired by Mr. Ng Wah Leung. The Audit Committee is responsible for monitoring and reviewing the risk management procedures and internal control system of the Group.

16. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.koala8226.com.hk/>) for 14 days from the date of this Prospectus:

- (a) the annual reports of the Company for the years ended 31 December 2019, 2020 and 2021 respectively;
- (b) the material contracts referred to in the paragraph under the heading “8. Material Contracts” in this appendix;
- (c) the accountants’ report on the unaudited pro forma financial information of the Group in respect of the Rights Issue as set out in Appendix II to this Prospectus;
- (d) the written consent of the expert referred to in the paragraph headed “9. Expert and Consent” in this appendix; and
- (e) the Prospectus Documents.

17. MISCELLANEOUS

- (a) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) As at the Latest Practicable Date, the Group had no exposure to foreign exchange liabilities.
- (c) The English text of this Prospectus shall prevail over their respective Chinese text for the purpose of interpretation.