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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)

**POSSIBLE VERY SUBSTANTIAL DISPOSAL
MANDATE FOR DISPOSAL(S) OF LISTED SECURITIES**

THE POSSIBLE DISPOSAL(S) AND THE DISPOSAL MANDATE

The Company proposes to seek approval for the Disposal Mandate from the Shareholders at the EGM in advance to allow the Directors to dispose of up to 3,215,000 Aerospace Technology Shares, representing approximately 1.04% of the total number of issued shares of Aerospace Technology as at the date of this announcement, during the Mandate Period.

GEM LISTING RULES IMPLICATIONS

As the Directors will seek to dispose of the Aerospace Technology Shares at the highest price possible at the relevant circumstances, one or more applicable percentage ratios of the Disposal(s) may exceed 75% and the Disposal(s) may constitute very substantial disposal on the part of the Company, and is subject to the reporting, announcement requirements and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. On this basis, the Company proposes to comply with the requirements applicable for the highest transaction classification of a very substantial disposal under Chapter 19 of the GEM Listing Rules.

GENERAL

The Company will seek the approval of the Shareholders at the EGM for the Disposal Mandate and the Disposal(s) to allow the Company to dispose of up to 3,215,000 Aerospace Technology Shares held by the Group during the Mandate Period.

A circular, containing further details of the Disposal Mandate and the Disposal(s) and other information as required under the GEM Listing Rules, is expected to be despatched to the Shareholders on or before 29 April 2022 as the Board expects that additional time will be required for preparing the information to be contained in the circular.

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

INTRODUCTION

As at the date of this announcement, the Group, through the Seller, held 3,215,000 Aerospace Technology Shares, representing approximately 1.04% of the total number of issued shares of Aerospace Technology. The Company intends to seek the Disposal Mandate to dispose of up to 3,215,000 Aerospace Technology Shares.

THE POSSIBLE DISPOSAL(S) AND THE DISPOSAL MANDATE

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

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

Details of the Disposal Mandate

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

1. *Mandate Period*

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

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

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

3. *Scope of Authority*

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

4. *Manner of Disposal(s)*

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

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

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

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

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

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

- (i) a discount of approximately 40.2% to the closing price on the trading day immediately prior to the date of this announcement of HK\$18.66 per Aerospace Technology Share as quoted on the Stock Exchange; and

- (ii) approximately 11.3 times of the net asset value of approximately HK\$0.99 per Aerospace Technology Share, calculated based on the unaudited net assets attributable to shareholders of Aerospace Technology of approximately RMB246,816,000 (equivalent to approximately HK\$306,051,840 based on the exchange rate of RMB1.00 to HK\$1.24) as at 30 June 2021 and 309,000,000 Aerospace Technology Shares in issue as at the date of this announcement.

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

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

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

In order to make the Aerospace Technology Shares held by the Group to be more attractive in block trade(s), the Directors consider that it is fair and reasonable for the Company to offer certain percentage of discount to the market price. Using the five-day average closing price of the Aerospace Technology Shares of approximately HK\$19.24 per Aerospace Technology Share immediately before the date of the this announcement, if the Aerospace Technology Shares are sold at 20% discount to the five-day average closing price of the Aerospace Technology Shares, the proposed selling price is approximately HK\$15.39.

The proposed maximum discount of 20% to the 5-day average closing price of the Aerospace Technology Shares will allow flexibility for the Group in disposing of the Aerospace Technology Shares within a reasonable price range (and promptly if needed in light of the volume of Aerospace Technology Shares held by the Group). On the other hand, the Minimum Selling Price (which is determined with reference to, among other factors, the Historical Acquisition Costs) will (i) allow flexibility for the Directors to accommodate fluctuations in market condition in the exercise

of the Disposal Mandate and at the same time reflect the lowest acceptable price to dispose of the Aerospace Technology Shares; and (ii) safeguard the interests of the Company that the Aerospace Technology Shares would not be disposed of at a significant discount.

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

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

5. Compliance

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

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

INFORMATION OF AEROSPACE TECHNOLOGY

Aerospace Technology is a company incorporated in the Cayman Islands with limited liability. The Aerospace Technology Shares are listed on the Main Board of the Stock Exchange (stock code: 1725). According to the interim report for the six months ended 30 June 2021 of Aerospace Technology, Aerospace Technology Group is principally engaged in (i) the business of electronics manufacturing services which includes provision of design enhancement and verification, offering of technical advice and engineering solutions, raw materials selection and procurement, quality control, logistic and delivery and after-sale services to customers in respect of assembling and production of printed circuit board assemblies and fully-assembled electronic products and (ii) aerospace business, which includes (a) smart city with satellite big data applications and solutions; (b) satellite measurement and controlling; (c) satellite manufacturing; and (d) satellite launching.

Set out below is the audited consolidated financial information of Aerospace Technology for the year ended 31 December 2019 and 2020 extracted from the annual report for the year ended 31 December 2020 of Aerospace Technology:

	For the year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Revenue	547,825	546,325
Profit before taxation	20,327	29,187
Profit for the year	17,323	25,457
	<u><u> </u></u>	<u><u> </u></u>
	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Total equity	250,290	236,181
	<u><u> </u></u>	<u><u> </u></u>

INFORMATION OF THE GROUP AND THE SELLER

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

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

REASONS FOR AND BENEFITS OF THE DISPOSAL(S)

As part of the securities investment business of the Group, the Group has been investing in Aerospace Technology since May 2019. Based on the closing price on the trading day immediately prior to the date of this announcement of HK\$18.66 per Aerospace Technology Share, the price of the Aerospace Technology Share has increased substantially as compared with the Historical Acquisition Costs. Having regard to the current market conditions and the uncertainty in the future global economy with the continuing COVID-19 pandemic, the Board decided to restructure its investment portfolio to allow the Group to reallocate the available funds of the Company for other reinvestment opportunities when they arise and to solidify the financial and cash position of the Group. The Disposal(s) will allow the Group to realise its investments and reallocate its financial resources to other business needs.

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

FINANCIAL IMPACT AND USE OF PROCEEDS

Based on the closing price on the trading day immediately prior to the date of this announcement of HK\$18.66 per Aerospace Technology Share, the value of the 3,215,000 Aerospace Technology Shares was HK\$59,991,900.

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

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

In the consolidated financial statements of the Company, all the Aerospace Technology Shares were classified as financial assets at fair value through profit or loss. The carrying amount of all the 3,215,000 Aerospace Technology Shares as at 31 December 2020 in the Company’s consolidated financial statements was approximately HK\$3,959,000. For illustration purpose, on the assumption that all the 3,215,000 Aerospace Technology Shares currently held by the Group are to be disposed of with reference to the closing price on the trading day immediately prior to the date of this announcement of HK\$18.66 per Aerospace Technology Share, it is expected that the Group will record a gain in other comprehensive income of approximately HK\$56,032,900, subject to audit. Such gain represents the difference between (i) the estimated gross sale proceeds of approximately HK\$59,991,900 with reference to the closing price on the trading day immediately prior to the date of this announcement of HK\$18.66 per Aerospace Technology Share; and (ii) the carrying amount of all the 3,215,000 Aerospace Technology Shares as at 31 December 2020 of approximately HK\$3,959,000. Upon the settlement of such disposal, the assets of the Group will be reduced by HK\$3,959,000, being the carrying amount of all the 3,215,000 Aerospace Technology Shares, and increased by approximately HK\$59,991,900, being the gross sale proceeds from the disposal (excluding stamp duty and related expenses). Such disposal will have no effect on the Group’s liabilities.

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

GEM LISTING RULES IMPLICATIONS

As the Directors will seek to dispose of the Aerospace Technology Shares at the highest price possible at the relevant circumstances, one or more applicable percentage ratios of the Disposal(s) may exceed 75% and the Disposal(s) may constitute very substantial disposal on the part of the Company, and is subject to the reporting, announcement requirements and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. By way of illustration, assuming that all the 3,215,000 Aerospace Technology Shares held by the Group are being disposed of at a price above HK\$11.69 as at the date of this announcement, one of the applicable percentage ratios of the Disposal(s) will exceed 75% and the Disposal(s) will constitute very substantial disposal on the part of the Company, and is subject to the reporting, announcement requirements and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. On that basis, the Company proposes to comply with the requirements applicable for the highest transaction classification of a very substantial disposal under Chapter 19 of the GEM Listing Rules.

GENERAL

The Company will seek the approval of the Shareholders at the EGM for the Disposal Mandate and the Disposal(s) to allow the Company to dispose of up to 3,215,000 Aerospace Technology Shares held by the Group during the Mandate Period. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have a material interest in the Disposal Mandate and the Disposal(s). Accordingly, no Shareholder is required to abstain from voting at the EGM.

A circular, containing further details of the Disposal Mandate and the Disposal(s) and other information as required under the GEM Listing Rules, is expected to be despatched to the Shareholders on or before 29 April 2022 as the Board expects that additional time will be required for preparing the information to be contained in the circular.

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

As alternative disclosure, the circular of the Company in respect of the Disposal Mandate and the Disposal(s) will include and disclose extracts of (i) the consolidated balance sheet; (ii) the consolidated statement of comprehensive income; (iii) the consolidated statement of cash flows; and (iv) the consolidated statement of changes in equity of Aerospace Technology for the past three financial years ended 31 December 2020 and the six months ended 30 June 2021. Further details of and reasons for the waiver, if granted by the Stock Exchange, together with alternative disclosures will be disclosed in the circular of the Company to be despatched to the Shareholders.

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

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Aerospace Technology”	Hong Kong Aerospace Technology Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1725)
“Aerospace Technology Group”	Aerospace Technology and its subsidiaries
“Aerospace Technology Share(s)”	share(s) of the Aerospace Technology
“Approved Sale Shares”	up to 3,215,000 Aerospace Technology Shares
“Board”	the board of Directors
“Company”	KOALA Financial Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the GEM (stock code: 8226)

“Disposal(s)”	the proposed disposal(s) of up to 3,215,000 Aerospace Technology Shares by the Group under the Disposal Mandate
“Disposal Mandate”	the general and conditional mandate to be granted by the Shareholders to the Company at the EGM to dispose of up to 3,215,000 Aerospace Technology Shares during the Mandate Period
“Director(s)”	the director(s) of the Company
“EGM”	extraordinary general meeting of the Company to be held and convened for the purpose of considering and, if thought fit, approving the Disposal Mandate and the Disposal(s) contemplated thereunder
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) who is(are) independent of and not connected (within the meaning of the GEM Listing Rules) with the Company and its connected persons
“Main Board”	The Main Board of the Stock Exchange
“Mandate Period”	the period of 12-month from the date of passing of the relevant resolution(s) approving the Disposal Mandate and the Disposal(s) at the EGM
“Minimum Selling Price”	HK\$11.15 per Aerospace Technology Share
“PRC”	People’s Republic of China

“Seller”	Honest Smart Investment Limited, an indirect wholly-owned subsidiary of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.20 each in the capital of the Company
“Shareholder(s)”	holders of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 7 March 2022

As at the date of this announcement, the Board comprises five Directors namely Ms. Kwan Kar Ching and Ms. Hsin Yi-Chin, being the executive Directors and Mr. Hung Cho Sing, Mr. Luk Kin Ting and Mr. Ng Wah Leung, being the independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

This announcement will remain on the GEM website at “www.hkgem.com” on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and on the website of the Company at “www.koala8226.com.hk”.

In the case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.