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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to the annual report of KOALA Financial Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2021 (the “**2021 Annual Report**”) published on 25 March 2022. Unless otherwise stated, capitalised terms used herein shall have the same meanings as defined in the 2021 Annual Report.

The board of directors of the Company (the “**Board**”) wishes to provide further information in relation to the “Money Lending Business” and “Significant Investments” as set out in the section headed “Management Discussion and Analysis” of the 2021 Annual Report.

MONEY LENDING BUSINESS AND INTERNAL CONTROL PROCEDURES

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

Through 1) our brand developed in certain online financial media such as “uptvhk” (uptv 財經) and “Sun channel” and the popular finance radio channel of “Metro Finance” (新城財經台), 2) proactively approaching by our management and 3) referrals from existing customers, Honest Smart Finance would identify the potential customers.

The source of funds of the Honest Smart Finance is mainly from the groups’ internal financing, the board expect that this business activity can generate additional return on the group idle funds from time to time.

Honest Smart Finance has implemented the following internal control measures in carrying out the Money Lending Business:

Credit risk assessment of borrowers

Credit officers are mainly responsible for conducting credit assessment for applicants for the loans. In assessing applicant's creditworthiness, the focus is on the applicant's background including occupation, financial condition, asset proof and credit history. Besides, the credit officer will also take into account any collateral and security offered. The credit assessment will then be reported to the senior management for final approval.

Steps including:-

- "Know-your-client" procedure
- Due diligence on the repayment ability, credit history and litigation involved (if any)
- Assessing the value of the collateral (if any)
- Ordering credit reports (if needed)
- Instructing search agents to perform litigation and bankruptcy/insolvency searches (if needed)

For better management of the credit risk and credit operations, the Board has designated the executive directors of the Company, who have full authority to handle all credit-related matters of the Money Lending Business. Their primary duties are, among other things, to approve and oversee credit policy and to monitor the loan portfolio. Regular meetings will be held to review the bad and doubtful debt provision report. The credit policy is subject to the review and amendments by the senior management from time to time in line with changes in market environment.

Mechanism in determining loan terms

When determining the terms of a loan, the senior management will consider, among other things, the cost of providing a particular loan, the credit and other business risks of the loan, the expected rates of return of the loan, the general market conditions, the market position, the prevailing market interest rates and the interest rates charged by competitors for loan of that amount and to loan applicant with such background.

The interest rates offered to individual borrower are subject to the following factors: (i) the borrower's historical credit record; (ii) the quality and value of the pledged collateral, if any; (iii) the risk and return assessment on the borrower; and (iv) the business judgement of the credit officer and the senior management on a discretionary basis.

Approval process for granting loans

The application together with the results from the credit and risk assessment will then be reviewed and approved by the senior management. If the senior management considers that the loan applicant has good repayment ability, the loan will be approved. If the senior management considers the loan application has mediocre repayment ability, but is still within the acceptable risk level, it may still approve the loan application but will impose a higher interest rate and/or require security/collateral of higher value to compensate for the additional risk. If the senior management considers that the credit risk is beyond the acceptable level, it will reject the loan application.

Monitoring loan repayment and recovery

Senior management will closely monitor the loan portfolio and require team members to present reports for inspection by the senior management regularly.

For secured loans, if it is noted that the value of the collateral is insufficient to cover the risk exposure or the actual loan-to-collateral value ratio with respect to any loan advanced has reached or exceeded acceptable level, Honest Smart Finance may require the borrower to 1) provide additional collateral and/or security, 2) partially repay the outstanding loan or 3) realise the value of the collateral in order to bring the loan-to-collateral value ratio back to acceptable level.

For unsecured loan, the senior management will conduct periodical meeting to discuss and review the loan portfolio which remains outstanding. If it is noted that there is a material deterioration in the borrowers' financial condition, Honest Smart Finance may require repayment from the borrower.

Taking actions on delinquent loans

When there is a default in loan repayment or payment of instalment, the credit officer will firstly contact the borrower to enquire the reasons for the default. Depending on the reasons given by the borrower to the credit officer, after consultation with the senior management and considering the loan-to-collateral value ratio of the loan (including interest) that is in default, Honest Smart Finance may grant some time tolerance.

Where the reason(s) offered for default in loan repayment or interest payment are unacceptable to the senior management or time tolerance from Honest Smart Finance has not resulted in the default being rectified, Honest Smart Finance will send written demand to the borrower. A settlement proposal would be negotiated between the borrower and the credit officer and to be approved by the senior management.

In the event that the borrower fails to respond to the settlement proposal, Honest Smart Finance may appoint an external debt collection service provider or take appropriate legal actions for debts which have become overdue as its last resort.

Concentration of loans to major clients

As at 31 December 2021, the amounts of loans receivables due from the largest borrower and the five largest borrowers were HK\$3,120,000 (9.5% to the total loan receivables) and HK\$13,380,000 (40.8% to the total loan receivables) respectively.

SIGNIFICANT INVESTMENTS

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

	Place of incorpora- tion	Number of shares held '000	Percent- age of shares held %	Original cost HK\$'000	Market value HK\$'000	Approxi- mate percent- age to the total assets %	Fair value gain/ (loss) for the period HK\$'000	Realised gain/ (loss) for the period HK\$'000
Aerospace Technology	Cayman Islands	3,215	1.0	4,311	87,930	17.9	83,662	250
Others	N/A	N/A	N/A	41,908	38,439	7.8	1,638	10,813
				46,219	126,369	25.7	85,300	11,063

Hong Kong Aerospace Technology Group Limited (formerly known as Eternity Technology Holdings Limited) (“**Aerospace Technology**”) (stock code: 1725) is principally engaged in electronics manufacturing services business and aerospace business. No dividend was received during the year. According to the latest published financial statements, it has recorded net loss amounted to approximately RMB53,075,000 when compared to profit for the year ended 31 December 2020 of HK\$17,323,000. The share price closed at HK\$27.35 as at 31 December 2021 (31 December 2020: HK\$1.30).

The Group has been investing in Aerospace Technology since May 2019. The price of the Aerospace Technology Share has increased substantially as compared with its original cost. 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 above supplemental information does not affect other information contained in the 2021 Annual Report. Save as disclosed above, all other information in the 2021 Annual Report remains unchanged.

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

Hong Kong, 26 October 2022

As at the date of this announcement, the Board comprises six Directors namely Ms. Hsin Yi-Chin and Ms. Tam Chik Yan, being the executive Directors, Ms. Kwan Kar Ching, being the non-executive Director 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 HKEX website at “www.hkexnews.hk” 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.