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AQUILA ACQUISITION CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 7836)

(Warrant Code: 4836)

INSIDE INFORMATION – UPDATE ON DE-SPAC TRANSACTION

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

AND

INTERIM REPORT 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Aquila Acquisition Corporation (the “**Company**”) presents (i) an update on the progress of the de-SPAC transaction, which is made by the Company pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong), (ii) the unaudited condensed interim results of the Company for the six months ended 30 June 2023, together with the comparative figures for the six months ended 30 June 2022 and (iii) interim report of the Company for the six months ended 30 June 2023.

By order of the Board
AQUILA ACQUISITION CORPORATION
Rongfeng JIANG
Chairman of the Board

Hong Kong, 25 August 2023

As at the date of this announcement and report, the Board of Directors of the Company comprises Mr. Rongfeng JIANG as Chairman and Executive Director, Ms. Di LE as Executive Director, Ms. Qian WU and Ms. Xiaoxiao QI as Non-Executive Directors, and Mr. Lei ZHONG, Dr. Fangxiong GONG and Mr. Kim Lam NG as Independent Non-Executive Directors.

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UPDATE ON DE-SPAC TRANSACTION

The Company is a special purpose acquisition company formed for the purpose of effecting a business combination (“**De-SPAC Transaction**”) with one or more businesses (“**De-SPAC Targets**”).

On 18 March 2022, the Company became the first special purpose acquisition company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Since listing, the promoters of the Company (the “**Promoters**”) and Executive Directors have actively and diligently sourced and assessed potential de-SPAC opportunities. During the six months ended 30 June 2023 and up to the date of this announcement and report, the Company has been evaluating, conducting due diligence on and negotiating the terms of a potential De-SPAC Transaction with a potential De-SPAC Target and sourcing potential third party investors for the potential De-SPAC Transaction. As at the date of this announcement and report, the Company has not yet entered into any binding definitive agreement with any De-SPAC Target or third party investor.

The Company will only be able to announce a De-SPAC Transaction if, among others, the terms of a De-SPAC Transaction are agreed and a business combination agreement is entered into between the Company and a De-SPAC Target and independent third party investors have committed the minimum independent third party investments required by the Stock Exchange to the Company and the De-SPAC Target. As the potential De-SPAC Transaction may or may not materialise, shareholders, warrant holders and potential investors of the Company’s securities are advised to exercise caution when dealing in the securities of the Company.

While there remain risks and uncertainties relating to a De-SPAC Transaction, the Promoters and the Board of Directors remain confident in announcing and completing a successful De-SPAC Transaction within the deadlines stipulated under the Listing Rules. The Company will make further announcements as and when appropriate regarding updates to the de-SPAC progress.

CORPORATE INFORMATION

PROMOTERS

CMB International Asset Management Limited
Mr. Rongfeng JIANG
Ms. Di LE
Ms. Qian WU

BOARD OF DIRECTORS

Executive Directors

Mr. Rongfeng JIANG
(Chairman and Chief Executive Officer)
Ms. Di LE *(Chief Operating Officer)*

Non-Executive Directors

Ms. Qian WU
Ms. Xiaoxiao QI

Independent Non-Executive Directors

Mr. Lei ZHONG
Dr. Fangxiong GONG
Mr. Kim Lam NG

AUDIT COMMITTEE

Mr. Kim Lam NG *(Chairman)*
Ms. Qian WU
Mr. Lei ZHONG

NOMINATION COMMITTEE

Mr. Rongfeng JIANG *(Chairman)*
Dr. Fangxiong GONG
Mr. Kim Lam NG

REMUNERATION COMMITTEE

Mr. Lei ZHONG *(Chairman)*
Ms. Qian WU *(Appointed with effect from
1 January 2023)*
Dr. Fangxiong GONG

CHIEF FINANCIAL OFFICER

Dr. Xiangyu ZHANG
(Appointed with effect from 1 January 2023)

ADVISORY BOARD

Mr. Ju ZHAO *(Chairman)*
Mr. Hongbo WANG
(Resigned with effect from 4 May 2023)
Dr. Kexiang ZHOU
Mr. Guozheng YU

COMPANY SECRETARY

Ms. Siu Kuen LAI

AUTHORISED REPRESENTATIVES

Mr. Rongfeng JIANG
*(Appointed with effect from
1 January 2023)*
Ms. Di LE

AUDITOR

BDO Limited
(Certified Public Accountants and Registered
Public Interest Entity Auditor)

HONG KONG LEGAL ADVISER

Freshfields Bruckhaus Deringer

COMPLIANCE ADVISER

Altus Capital Limited

REGISTERED OFFICE

PO Box 309, Uglund House
Grand Cayman
KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

46/F, Champion Tower
3 Garden Road, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Financial Centre
16 Harcourt Road Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

TRUSTEE OF THE ESCROW ACCOUNT

CCB (Asia) Trustee Company Limited

COMPANY WEBSITE

www.aquilaacq.com.hk

STOCK CODE

7836

WARRANT CODE

4836

LISTING DATE

18 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Company is a special purpose acquisition company formed for the purpose of effecting a De-SPAC Transaction with one or more De-SPAC Targets. In identifying the De-SPAC Targets, the Company intends to concentrate its efforts on technology-enabled companies in new economy sectors (such as green energy, life sciences and advanced technology and manufacturing) in Asia, with a focus on China, although it may pursue a De-SPAC Target in any sector.

The Company completed an offering of its Class A shares and listed warrants (the “**Offering**”) on 18 March 2022 (the “**Listing Date**”). The Offering comprised 100,065,000 Class A shares at an offer price of HK\$10.00 per Class A share and 50,032,500 listed warrants. The Company received gross proceeds of HK\$1,000,650,000 from the Offering, which were deposited in a ring-fenced escrow account (the “**Escrow Account**”) and held in the form of restricted bank deposits. As of 30 June 2023, the Company had not used the proceeds from the Offering and plans to use the proceeds to fund the De-SPAC Transaction.

Simultaneously with the Offering, the promoters of the Company, being CMB International Asset Management Limited, Mr. Rongfeng JIANG, Ms. Di LE and Ms. Qian WU, together with Mr. Yao LING (who was a promoter of the Company at the time of the Offering) subscribed for 39,000,000 promoter warrants at a price of HK\$1.00 per promoter warrant. The promoter warrants are not listed on the Stock Exchange.

Mr. LING ceased to act as a promoter of the Company from 31 December 2022. Upon Mr. LING ceasing to act as a promoter of the Company, Mr. LING surrendered his effective interest in the Class B shares (rounded down to the nearest whole number of Class B shares) and promoter warrants for no consideration and such surrendered Class B shares and promoter warrants were cancelled by the Company.

As of the date of this announcement and report, the Company has not entered into any definitive agreement with the potential De-SPAC Target regarding the De-SPAC Transaction, and the Company has not used any of the gross proceeds received from the Offering.

OUTLOOK

The Company will not generate any operating revenue until after the completion of the De-SPAC Transaction. The Company expects to generate non-operating income in the form of interest and other income on the proceeds from the Offering held in the Escrow Account and the sale of the Class B shares and promoter warrants.

As the Company is actively evaluating and negotiating a potential De-SPAC Transaction, the Company will continue to incur due diligence and other expenses, such as legal fees, in connection with preparing for and executing the De-SPAC Transaction. The Company will also continue to incur expenses as a publicly listed company (for legal, financial reporting, accounting and auditing compliance).

The Company may effectuate a potential De-SPAC Transaction using, among other sources, (i) cash from the proceeds of the Offering; (ii) proceeds from the sale of its Class B shares and promoter warrants; (iii) proceeds from independent third party investments; and (iv) any other equity or debt financing, or a combination of the foregoing. Please refer to “Risk Factors – Risks Relating to the Company and the De-SPAC Transaction” in the offering circular of the Company dated 14 March 2022 (the “**Offering Circular**”) for risks relating to De-SPAC Transactions.

BUSINESS REVIEW

During the six months ended 30 June 2023, the Company did not engage in any operations and did not generate any revenue. The Company’s activities during the six months ended 30 June 2023 included the search for prospective De-SPAC Targets and the preparation for the De-SPAC Transaction. As of the date of this announcement and report, there have been no material events affecting the Company or its listed securities since 30 June 2023.

FINANCIAL REVIEW

The following table sets forth the Company’s statement of profit or loss and other comprehensive income for the six months ended 30 June 2023, together with the comparative figures for the six months ended 30 June 2022.

	Six months ended 30 June 2023 HK\$’000	Six months ended 30 June 2022 HK\$’000
Revenue	–	–
Other income and loss	19,467	510
Change in fair value of warrant liabilities	400	(4,953)
Amortisation of transaction cost on redeemable Class A shares	–	(61,524)
Listing expenses	–	(3,940)
Administrative expenses	(44,571)	(24,074)
Loss before income tax expense	(24,704)	(93,981)
Income tax expense	–	–
Loss and total comprehensive loss for the period	(24,704)	(93,981)
Loss per share (Basic and diluted) (HK\$)	(1.02)	(2.73)

For the six months ended 30 June 2023, the Company had a loss and total comprehensive loss for the period of HK\$24.7 million (for the six months ended 30 June 2022: HK\$94.0 million), which reflected administrative expenses of HK\$44.6 million (for the six months ended 30 June 2022: HK\$24.1 million), which were partially offset by other income and loss of HK\$19.5 million (for the six months ended 30 June 2022: HK\$0.5 million) and change in fair value of warrant liabilities of HK\$0.4 million (for the six months ended 30 June 2022: HK\$5.0 million).

Revenue

The Company did not generate any revenue in the six months ended 30 June 2023 and the six months ended 30 June 2022.

Other income and loss

The Company's other income and loss during the six months ended 30 June 2023 and the six months ended 30 June 2022 mainly consisted of bank interest income, primarily representing interest income on the gross proceeds of the Offering held in the Escrow Account. The Company's other income and loss increased from HK\$0.5 million in the six months ended 30 June 2022 to HK\$19.5 million in the six months ended 30 June 2023 because of higher interest rate in 2023 compared to the relevant period in 2022 and interest income recorded in the six months ended 30 June 2022 was earned during the shorter period from the date of the Company's listing on 18 March 2022 to 30 June 2022.

Change in fair value of warrant liabilities

Change in fair value of warrant liabilities represents the adjustment to the fair value of the Company's warrant liabilities to reconcile the initial fair value of the warrant liabilities with the transaction price of the warrant liabilities. The Company recorded a fair value gain of warrant liabilities of HK\$0.4 million in the six months ended 30 June 2023, as compared to a fair value loss of HK\$5.0 million in the six months ended 30 June 2022, which was primarily due to differences in the fair value of the Company's listed warrants as of 31 December 2022 and as of 30 June 2023.

Amortisation of transaction cost on redeemable Class A shares

The Company did not record any amortisation of transaction cost on redeemable Class A shares in the six months ended 30 June 2023 since the Company had amortised all the transaction costs attributable to the issuance of the Class A shares as of 31 December 2022.

Listing expenses

The Company did not record any listing expenses in the six months ended 30 June 2023. The Company's listing expenses of HK\$3.9 million in the six months ended 30 June 2022 represented the portion of listing expenses (including underwriting commissions for the Offering and deferred underwriting commissions payable upon completion of a De-SPAC Transaction) attributable to the issuance of the listed warrants and promoter warrants.

Administrative expenses

The Company's administrative expenses mainly consist of share-based payment expenses relating to the conversion right in the Class B shares and promoter warrants and expenses in connection with searching for and evaluating potential De-SPAC Targets, preparing for and executing the De-SPAC Transaction and being a publicly listed company (such as for legal, financial reporting, accounting and auditing compliance). The Company incurred administrative expenses of HK\$44.6 million in the six months ended 30 June 2023, as compared to HK\$24.1 million in the six months ended 30 June 2022, mainly because administrative expenses recorded in the six months ended 30 June 2022 was incurred during the shorter period from the date of the Company's listing on 18 March 2022 to 30 June 2022.

Loss and total comprehensive loss for the periods

As a result of the foregoing, the Company incurred a loss and total comprehensive loss for the period of HK\$24.7 million in the six months ended 30 June 2023, as compared to HK\$94.0 million in the six months ended 30 June 2022.

LIQUIDITY AND CAPITAL RESOURCES

As of 30 June 2023, the Company had non-current assets of HK\$1,000.7 million in the form of restricted bank deposits, and current assets of HK\$33.5 million, mainly consisting of cash and cash equivalents of HK\$33.3 million. As of 30 June 2023, the Company had current liabilities of HK\$1,042.6 million, mostly consisting of redeemable Class A shares of HK\$1,000.7 million.

Restricted bank deposits

The Company's restricted bank deposits was HK\$1,000.7 million as of 30 June 2023 and as of 31 December 2022. The restricted bank deposits represent the gross proceeds the Company received from the Offering, which are held in the Escrow Account in the form of cash or cash equivalents and recorded as restricted bank deposits.

Cash and cash equivalents

The Company had cash and cash equivalents of HK\$33.3 million as of 30 June 2023, as compared to HK\$16.6 million as of 31 December 2022. The increase was due to interest income in connection with the proceeds that the Company received from the placement of its Class B shares and promoter warrants (after deducting underwriting commission in connection with the Offering and other offering-related expenses) which are held outside of the Escrow Account.

Redeemable Class A shares

The Company had redeemable Class A shares of HK\$1,000.7 million as of 30 June 2023 and as of 31 December 2022, which represented the carrying amount of its Class A shares.

Borrowings

The Company (as borrower) entered into a loan agreement on 13 March 2022 with the Promoters, Mr. Yao LING (who was a promoter of the Company at the time of signing the agreement) and AAC Mgmt Holding Ltd in relation to a HK\$20 million unsecured loan facility. As of the date of this announcement and report, no amount had been drawn down under the loan facility.

As such, gearing ratio is not applicable to the Company.

Accruals and other payables

The Company had accruals and other payables of HK\$36.5 million as of 30 June 2023, as compared to HK\$37.5 million as of 31 December 2022. The decrease was mainly because some of the fees the Company incurred for the Offering were settled prior to 30 June 2023.

OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

The Company did not have any material subsequent event after the six months ended 30 June 2023 and up to the date of this announcement and report.

DIVIDEND

As disclosed in the Offering Circular, the Company does not intend to pay cash dividends prior to the completion of a De-SPAC Transaction.

EMPLOYEES

The Company has no employees. The Company's Executive Directors and senior management are employees of CMB International Capital Corporation Limited, being the parent company of CMB International Asset Management Limited, one of the Promoters.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As the Company is a special purpose acquisition company, there were no significant investments held or acquisitions by the Company during the six months ended 30 June 2023, and the Company has no, and has not conducted any acquisition or disposals of, subsidiaries, associates or joint ventures. Save with regards to effectuating a potential De-SPAC Transaction as disclosed in the Offering Circular, the Company currently has no future plan for material investments or additions of capital assets.

PLEDGE OF ASSETS

As of 30 June 2023, the Company did not pledge any of its assets.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

As of 30 June 2023, the Company did not purchase, sell or redeem any of its listed securities.

CONTINGENT LIABILITIES

As of 30 June 2023, the Company did not have any contingent liabilities.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

During the six months ended 30 June 2023, the Company did not engage in any operations and therefore, was not exposed to fluctuations in exchange rates and did not enter into any forward exchange contract to hedge foreign exchange risk.

USE OF PROCEEDS

In March 2022, the Company issued 100,065,000 Class A shares at an offer price of HK\$10.00 per Class A share and 50,032,500 listed warrants and received gross proceeds of HK\$1,000,650,000 pursuant to the Offering, which was deposited in the Escrow Account and held in the form of restricted bank deposits. There was no change to the intended use of the gross proceeds of the Offering as disclosed in the Offering Circular. The gross proceeds from the Offering is held in and can only be released from the Escrow Account under the circumstances and timeline as disclosed in the Offering Circular and permitted under the Listing Rules. In March 2022, the Company issued 39,000,000 promoter warrants at a price of HK\$1.00 per promoter warrant and received gross proceeds of HK\$39,000,000 pursuant to the private placement of promoter warrants to the Promoters, as further described in the Offering Circular. During the period from the Listing Date to 30 June 2023, approximately HK\$16 million of the gross proceeds of the private placement were used to pay underwriting commission to the underwriters of the Offering, approximately HK\$15 million were used to pay other Offering-related expenses, and approximately HK\$8.6 million were used to fund the Company's working capital requirements, and the remaining proceeds will be used to fund the Company's working capital requirements.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Board has complied with all applicable code provisions set out in Part 2 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2023 with the exception of code provision C.2.1, which requires the roles of chairman and chief executive to be held by different individuals.

Code provision C.2.1 of Part 2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Rongfeng JIANG currently serves as the Chairman of the Board as well as the Chief Executive Officer of the Company. The Board considers that, given Mr. JIANG's wealth of experience in asset management and private equity investment, vesting the roles of Chairman and Chief Executive Officer in Mr. JIANG enhances effective decision-making of the Company and is beneficial to the business prospects and management of the Company. Taking into account the corporate governance measures that the Company has implemented and the nature of the Company as a special purpose acquisition company, the Board considers that the deviation from code provision C.2.1 is appropriate in the circumstances of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a dealing policy no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules regarding securities transactions of the Directors. After specific enquiry made by the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2023.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The Board has established an audit committee (the “**Audit Committee**”) which comprises two Independent Non-Executive Directors, namely Mr. Kim Lam NG (as chairman) and Mr. Lei ZHONG, and a Non-Executive Director, namely Ms. Qian WU.

The Company’s interim results for the six months ended 30 June 2023 have been reviewed by the Audit Committee of the Company.

CHANGES TO DIRECTORS’ INFORMATION

Ms. Di LE has been promoted from vice president to executive director of CMB International Capital Corporation Limited with effect from April 2023.

Mr. Kim Lam NG has been appointed as a non-official member of Green Technology and Finance Development Committee with effect from 23 June 2023 for a term of two years.

Ms. Qian WU has been appointed as the chief executive officer of CMBI (Singapore) Pte. Limited with effect from 1 August 2023.

Save as disclosed above, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, none of the Directors or chief executive of the Company had any interest and/or short positions (as applicable) in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest and/or a short position (as applicable) in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Class A Shares

Name of Substantial Shareholder	Capacity/Nature of Interest	Number of Shares and Underlying Class A Shares Held	Approximate Percentage of Class A Shares (%)	Long/Short Position
China Merchants Bank Co., Limited	Interest in a controlled corporation	19,394,403 ⁽¹⁾⁻⁽⁴⁾	19.42	Long
CMB International Capital Holdings Corporation Limited	Interest in a controlled corporation	19,394,403 ⁽¹⁾⁻⁽⁴⁾	19.42	Long
CMB International Capital Corporation Limited	Interest in a controlled corporation	19,394,403 ⁽¹⁾⁻⁽⁴⁾	19.42	Long
CMB International Asset Management Limited	Interest in a controlled corporation	19,394,403 ⁽¹⁾⁻⁽⁴⁾	19.42	Long
CMBI AM Acquisition Holding LLC	Beneficial owner	13,568,636 ⁽²⁾⁻⁽⁴⁾	13.56	Long
UBS Group AG	Interest in a controlled corporation	13,296,607 ⁽⁵⁾	13.29	Long
UBS AG	Interest in a controlled corporation	1,534,982 ⁽⁵⁾	1.53	Short
	Beneficial owner	8,099,107 ⁽⁵⁾	8.09	Long
CMB International Investment Management Limited	Beneficial owner	1,534,982 ⁽⁵⁾	1.53	Short
	Interest in a controlled corporation	5,825,767 ⁽¹⁾	5.82	Long
CMB International Private Investment Limited	Other	5,825,767 ⁽¹⁾	5.82	Long
CMBI Private Equity Series B SPC	Beneficial owner	5,453,910 ⁽¹⁾	5.45	Long
UBS O'Connor LLC	Investment manager	5,197,500 ⁽⁵⁾	5.19	Long

Class B Shares

Name of Substantial Shareholder	Capacity/Nature of Interest	Number of Class B Shares Held	Approximate Percentage of Class B Shares (%)	Long/Short Position
China Merchants Bank Co., Limited	Interest in controlled corporation	24,109,411	100% ⁽³⁾	Long
CMB International Capital Holdings Corporation Limited	Interest in controlled corporation	24,109,411	100% ⁽³⁾	Long
CMB International Capital Corporation Limited	Interest in controlled corporation	24,109,411	100% ⁽³⁾	Long
CMB International Asset Management Limited	Interest in controlled corporation	24,109,411	100% ⁽²⁾	Long
CMBI AM Acquisition Holding LLC	Beneficial owner	24,109,411	100%	Long

Notes:

- (1) CMB Global Access SPC and CMBI Private Equity Series B SPC are interested in 371,857 and 5,453,910 Class A shares of the Company, respectively, which include 890,767 Class A shares underlying listed derivatives (convertible instruments). CMB International Asset Management Limited is the investment manager, and CMB International Private Investment Limited is holding the management shares (carrying voting rights), of CMB Global Access SPC and CMBI Private Equity Series B SPC. CMB International Private Investment Limited is wholly owned by CMB International Investment Management Limited, which is wholly owned by CMB International Capital Corporation Limited. Each of CMB International Private Investment Limited, CMB International Investment Management Limited and CMB International Capital Corporation Limited is deemed to be interested in the Class A shares of the Company held by CMB Global Access SPC and CMBI Private Equity Series B SPC.
- (2) CMB International Asset Management Limited is deemed to be interested in the promoter warrants and Class B shares of the Company held by CMBI AM Acquisition Holding LLC, its 93.39%-owned subsidiary.
- (3) CMB International Asset Management Limited is wholly owned by CMB International Capital Corporation Limited, which is owned as to approximately 83.2% by CMB International Capital Holdings Corporation Limited and 16.8% by CMB Wing Lung Bank Limited. Each of CMB International Capital Holdings Corporation Limited and CMB Wing Lung Bank Limited are in turn wholly-owned by China Merchants Bank Co., Limited. Each of China Merchants Bank Co., Limited, CMB International Capital Holdings Corporation Limited, CMB International Capital Corporation Limited and CMB International Asset Management Limited is deemed to be interested in (i) the promoter warrants and Class B shares of the Company held by CMBI AM Acquisition Holding LLC and (ii) the Class A shares of the Company held by CMB Global Access SPC and CMBI Private Equity Series B SPC.
- (4) Represents interest in the underlying Class A shares of the promoter warrants of the Company. On the basis of a cashless exercise of the promoter warrants and subject to the terms and conditions under the promoter warrant agreement (including the exercise mechanism and anti-dilution adjustments) entered into between the Company, the Promoters, CMBI AM Acquisition Holding LLC and AAC Mgmt Holding Ltd, the promoter warrant may be exercised for a maximum of 13,568,636 Class A shares of the Company in the aggregate.
- (5) Based on the information set out in the relevant disclosure made by the relevant substantial shareholder(s), UBS AG and UBS O'Connor LLC are both wholly-owned subsidiaries of UBS Group AG. Therefore, UBS Group AG is deemed to be interested in the Class A shares of the Company held by UBS AG and UBS O'Connor LLC, respectively. Among the Class A shares in long position indirectly held by UBS Group AG, 4,667,203 Class A shares in long position represent Class A shares underlying listed derivatives - physically settled.

Save as disclosed above, as at 30 June 2023, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest and/or short position (as applicable) in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as the issue of Class B shares and the promoter warrants (details of which are disclosed in the Offering Circular), at no time during the six months ended 30 June 2023 was the Company a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	5	–	–
Other income and loss	5	19,467	510
Change in fair value of warrant liabilities	12	400	(4,953)
Amortisation of transaction cost on redeemable Class A Shares	12	–	(61,524)
Listing expenses		–	(3,940)
Administrative expenses		<u>(44,571)</u>	<u>(24,074)</u>
Loss before income tax expense	6	(24,704)	(93,981)
Income tax expense	7	<u>–</u>	<u>–</u>
Loss and total comprehensive loss for the period		<u>(24,704)</u>	<u>(93,981)</u>
Loss per share	8		
– Basic and diluted (HK\$)		<u>(1.02)</u>	<u>(2.73)</u>

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	<i>Notes</i>	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Restricted bank deposits	<i>10</i>	<u>1,000,650</u>	<u>1,000,650</u>
CURRENT ASSETS			
Other receivable		157	30
Cash and cash equivalents		<u>33,333</u>	<u>16,607</u>
		<u>33,490</u>	<u>16,637</u>
CURRENT LIABILITIES			
Accruals and other payable	<i>11</i>	36,464	37,456
Redeemable Class A Shares	<i>12</i>	1,000,650	1,000,650
Warrant liabilities	<i>12</i>	<u>5,504</u>	<u>5,904</u>
		<u>1,042,618</u>	<u>1,044,010</u>
NET CURRENT LIABILITIES		<u>(1,009,128)</u>	<u>(1,027,373)</u>
NET LIABILITIES		<u>(8,478)</u>	<u>(26,723)</u>
EQUITY			
Share capital	<i>13</i>	6	6
Reserves		<u>(8,484)</u>	<u>(26,729)</u>
TOTAL DEFICITS		<u>(8,478)</u>	<u>(26,723)</u>

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Share capital	Reserves		Total
	HK\$'000	Share option reserve	Accumulated losses	deficits
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2023 (Audited)	6	107,576	(134,305)	(26,723)
Loss and total comprehensive loss for the period	–	–	(24,704)	(24,704)
Share-based payment (<i>note 14</i>)	–	42,949	–	42,949
At 30 June 2023 (Unaudited)	6	150,525	(159,009)	(8,478)
At 1 January 2022 (Audited)	–*	–	(94)	(94)
Loss and total comprehensive loss for the period	–	–	(93,981)	(93,981)
Issue of new shares during the period	6	–	–	6
Surrender of share	(–)*	–	–	(–)*
Share-based payment (<i>note 14</i>)	–	62,020	–	62,020
At 30 June 2022 (Unaudited)	6	62,020	(94,075)	(32,049)

* *Less than HK\$1,000*

CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash flows used in operating activities	(12,205)	(29,056)
Net cash flows generated from an investing activity	28,931	570
Net cash flows generated from financing activities	<u>–</u>	<u>39,006</u>
Net increase in cash and cash equivalent	16,726	10,520
Cash and cash equivalents at beginning of period	16,607	–
Cash and cash equivalents at the end of period	<u>33,333</u>	<u>10,520</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>33,333</u>	<u>10,520</u>

Major non-cash Transactions

During six months ended 30 June 2022, the Company had issued 100,065,000 Class A shares (the “**Class A Shares**”) together with 50,032,500 Listed Warrants for an aggregate price of HK\$10.00 per share. The gross proceeds of HK\$1,000,650,000 from the Initial Public Offering are placed in an escrow account (the “**Escrow Account**”) included in “restricted bank deposit” as at 30 June 2023 and 30 June 2022.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. GENERAL INFORMATION AND BUSINESS OPERATION

Aquila Acquisition Corporation (the “**Company**”) is a blank check company and was incorporated in the Cayman Islands as an exempted company with limited liability on 25 November 2021. The Company is a special purpose acquisition company (“**SPAC**”) and at an early stage, as such, the Company is subject to all of the risks associated with early stage companies. The Company is incorporated for the purpose of an acquisition of, or a business combination with, a De-SPAC transaction target (the “**De-SPAC Target**”) by the Company that results in the listing of a successor company (the “**De-SPAC Transaction**”). The Company has not selected any potential business combination target and has not entered into any binding agreement with respect to any potential De-SPAC Transaction.

The address of the Company’s registered office is PO Box 309, Ugland House Grand Cayman, KY1-1104, Cayman Islands.

The ultimate holding company of the Company is China Merchants Bank Co., Limited.

The promoters of the Company (the “**Joint Promoters**”) were CMB International Asset Management Limited, Mr. Rongfeng JIANG, Mr. Yao LING, Ms. Di LE and Ms. Qian WU upon the initial offering (the “**Offering**”). On 31 December 2022, Mr. Yao LING ceased to act as a promoter of the Company. Following such cessation, CMB International Asset Management Limited, Mr. Rongfeng JIANG, Ms. Di LE and Ms. Qian WU are the Joint Promoters of the Company as at 30 June 2023.

The Company has not had any other business operations than administration related to establishing SPAC entity and identifying acquisition target. The Company is not expected to generate any operating revenues other than interest income until after the completion of the De-SPAC Transaction, at the earliest. The Company has selected 31 December as its financial year end.

On 18 March 2022, the Company completed the offering and issued 100,065,000 Class A Shares and 50,032,500 listed warrants (the “**Listed Warrants**”). Simultaneously, the Company issued 39,000,000 promoter warrants (the “**Promoter Warrants**”) in a private placement. The Class B shares (the “**Class B Shares**”) have been issued prior to the offering, which are not listed on the Stock Exchange. On 31 December 2022, in connection with Mr. Yao LING’s cessation to act as a promoter of the Company, 906,839 Class B Shares and 1,413,750 Promoter Warrants (representing Mr. Yao LING’s effective interest in the Class B Shares and Promoter Warrants) were surrendered for no consideration and cancelled by the Company.

The Class B Shares are convertible into Class A Shares on a one-for-one basis at or following the completion of the De-SPAC Transaction, subject to anti-dilution adjustment.

The Listed Warrants will be exercisable 30 days after the completion of the De-SPAC Transaction up to the date immediately preceding the fifth anniversary of the date of the completion of the De-SPAC Transaction.

The Listed Warrants will expire on the date immediately preceding the fifth anniversary of the date of the completion of the De-SPAC Transaction or earlier upon redemption or liquidation.

The Promoter Warrants may not be transferred except in the very limited circumstances permitted by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and subject to compliance with the requirements thereof. The Promoter Warrants are not exercisable until 12 months after the completion of the De-SPAC Transaction as required by the Listing Rules. Except as describe above, the Promoter Warrants have terms and provisions that are identical to those of the Listed Warrants.

The gross proceeds of HK\$1,000,650,000 from the Listing of Class A Shares are placed in the Escrow Account except for interest and other income earned from the funds held in the Escrow Account that may be released to the Company to pay its expenses, the proceeds from the Listing will not be released from the Escrow Account other than to:

- (i) complete of the De-SPAC Transaction; in connection with which the funds held in the Escrow Account will be used to pay, amounts due to Class A shareholders (the “**Class A Shareholders**”) who exercise their redemption rights, all or a portion of the consideration payable to the De-SPAC Target or owners of the De-SPAC Target, to repay any loans drawn under loan facility provided by the Promoters, and other expenses associated with completing the De-SPAC Transactions;
- (ii) meet redemption requests of holders of the Class A in connection with a shareholder vote to modify the timing of the Company’s obligation to announce a De-SPAC Transaction within 24 months from 18 March 2022 (the “**Listing Date**”) or complete the De-SPAC Transaction within 36 months of the Listing Date, respectively (or, if these time limits are extended pursuant to Class A Shareholder vote and in accordance with the Listing Rules and the De-SPAC Transaction is not announced or completed, as applicable, within such extended time limits), or approve the continuation of the Company following a material change in the Promoters or Directors as provided for in Rule 18B.32 of the Listing Rules;
- (iii) return funds to holders of the Class A Share upon the suspension of trading of the Class A Shares and the Listed Warrants; or
- (iv) return funds to holders of the Class A Share upon the liquidation or winding up of the Company.

The Class A Shareholders will be entitled to redeem their Class A Shares for a pro rata portion of the amount then in the Escrow Account of an amount not less than HK\$10.00 per Class A Share, plus any pro rata interest then in the Escrow Account, net of taxes payable. Both the Listed Warrants and Promoter Warrants have no redemption right.

Under the Listing Rules, at the time of the Company’s entry into a binding agreement for a De-SPAC Transaction, a De-SPAC Target must have a fair market value representing at least 80% of the funds raised by the Company from the Listing (prior to any redemptions). If less than 100% of the equity interests or assets of a De-SPAC Target is acquired by the Company, the portion of such De-SPAC Target that is acquired will be taken into account for the purposes of the 80% of proceeds test described above, provided that in the event that the De-SPAC Transaction involves more than one De-SPAC Target, the 80% of proceeds test will be applied to each of the De-SPAC Targets being acquired. However, the Company will only complete a De-SPAC Transaction if the post-transaction company owns or acquires 50% or more of the outstanding voting securities of the De-SPAC Target. There is no assurance that the Company will be able to successfully effect a De-SPAC Transaction.

The Company has only 36 months from the closing of the Listing (the “**De-SPAC Period**”) to complete the De-SPAC Transaction. If the Company is unable to complete the De-SPAC Transaction within the De-SPAC Period (or within the extension period, if any), the Company will:

- (i) cease all operations except for the purpose of winding up;
- (ii) suspend the trading of the Class A Shares and Listed Warrants;
- (iii) as promptly as reasonably possible but no more than one month thereafter, distribute the amounts held in the Escrow Account to the holders of Class A Shares on a pro rata basis, provided that the amount per Class A Share must be not less than HK\$10.00; and
- (iv) liquidate and dissolve, subject in the case of clauses (iii) and (iv), to the Company’s obligations under Cayman Islands law to provide for claims of creditors and in all cases subject to the other requirements of applicable law.

There will be no redemption rights or liquidating distributions with respect to the Listed Warrants and Promoter Warrants, which will expire worthless if the Company fails to complete its De-SPAC Transaction within the De-SPAC Period, or if the Company fail to obtain the requisite approvals in respect of the continuation of the Company following a material change in the Promoters or Directors as provided in Rule 18B.32 of the Listing Rules.

The Joint Promoters have agreed to waive their rights to liquidating distributions from the Escrow Account with respect to their Class B Shares in all circumstances.

The deferred underwriting fee will not be payable by the Company to the underwriters in the event that the Company do not completed a De-SPAC Transaction.

2. BASIS OF PREPARATION AND PRESENTATION

(a) Basis of preparation and statement of compliance

The unaudited condensed interim financial statements (the “**Interim Financial Statements**”) for the six months ended 30 June 2023 have been prepared in accordance with the applicable disclosures required by the Listing Rules and International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting”, issued by the International Accounting Standards Board (“**IASB**”).

The Interim Financial Statement should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The accounting policies applied and the significant judgements made by the management are consistent with those described in the annual financial statement for the year ended 31 December 2022, except for the adoption of amendments to IFRSs effective for the accounting period beginning on 1 January 2023.

(b) Application of amendments to IFRSs

In the current period, the Company has adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for the accounting period beginning on 1 January 2023. The adoption of these new and revised IFRSs did not result in significant changes to the Company’s accounting policies, presentation of the Company’s financial statements and amounts reported for the current period.

The Company has not applied the new IFRSs that have been issued but are not yet effective. The Company is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on its financial position and performance.

(c) Going concern basis

As at 30 June 2023, the Company had net current liabilities and net liabilities of HK\$1,009,128,000 and HK\$8,478,000 respectively. The Company incurred loss of HK\$24,704,000 and expects to continue to incur significant costs in pursuit of effecting the De-SPAC Transaction, and the Company's cash and working capital as of 30 June 2023 are not sufficient for this purpose. Management plans to address this through the loan facility that are provided by the Joint Promoters. Based on a working capital forecast prepared by management for 21 months after the end of the reporting period, the Company would have sufficient financial resources to identify the suitable De-SPAC Target. However, the completion of the De-SPAC Transaction substantially depends upon the ability and insight of the Joint Promoters to identify the suitable target for the De-SPAC Transaction, successfully negotiate the completion of the De-SPAC Transaction and obtain the approval from the Stock Exchange. There is no assurance that the Company could consummate the De-SPAC Transaction within the De-SPAC Period as detailed in note 1 to the Interim Financial Statements.

These indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and, therefore, it may be unable to realise its assets or discharge its liabilities in the normal course of business. Nevertheless, the Interim Financial Statements are prepared on the basis that the Company will continue as a going concern. These Interim Financial Statements do not include any adjustments that would have to be made to provide for any further liabilities which might arise should the Company be unable to continue as a going concern.

(d) Functional and presentation currency

The financial statements are presented in Hong Kong dollars (“**HK\$**”) which is also the functional currency of the Company and all amounts are rounded to the nearest thousand (“**HK\$'000**”) except otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on the historical cost except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

A fair-value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. SEGMENT INFORMATION

The Company does not have separately reportable segments. The Company is incorporated for the purpose of effecting the De-SPAC Transaction.

5. REVENUE AND OTHER INCOME AND LOSS

(a) Revenue

The Company did not generate any revenue for the six months ended 30 June 2023 (2022: Nil).

(b) Other income and loss

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	19,515	570
Exchange loss, net	(48)	(60)
	<u>19,467</u>	<u>510</u>

6. LOSS BEFORE INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss before income tax expense is arrived at after charging Auditor's remuneration – non-assurance services	<u>100</u>	<u>100</u>
Staff cost:		
Share-based payment expenses (<i>note 14</i>)	42,949	23,020
Directors' remuneration (<i>note 15</i>)	<u>298</u>	<u>207</u>
	<u>43,247</u>	<u>23,227</u>

7. INCOME TAX EXPENSE

No provision for income tax has been recognised as the Company had not currently subject to income tax in the Cayman Islands for six months ended 30 June 2023 in opinion of the Directors (2022: Nil).

The Company did not have material unrecognised deferred tax during the period or at the end of the reporting periods.

8. LOSS PER SHARE

The basic loss per share was calculated by dividing the loss for the period of approximately HK\$24,704,000 (2022: HK\$93,981,000), by the weighted average number of 24,109,411 Class B Shares (2022:34,372,417 shares) outstanding during the period.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2023 and 2022, the redeemable Class A Shares, Listed Warrants and Promoter Warrants outstanding were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share is the same as the basic loss per share for the period.

9. DIVIDEND

No dividend was paid or proposed during the period ended 30 June 2023 (2022: Nil), nor any dividend has been proposed since the end of the reporting periods.

10. RESTRICTED BANK DEPOSITS

Restricted bank deposits consist of the gross proceeds of HK\$1,000,650,000 (31 December 2022: HK\$1,000,650,000) from the listing of Class A Shares which are deposited in a ring-fenced Escrow Account domiciled in Hong Kong. The proceeds held in the Escrow Account are held in the form of cash or cash equivalents. The completion of the De-SPAC Transaction within the next 12 months is uncertain and therefore the proceeds deposited on the Escrow Account have been classified as non-current assets.

11. ACCRUALS AND OTHER PAYABLE

Accruals and other payable mainly comprise of deferred underwriting commission of approximately HK\$35,023,000, which would be payable upon completion of the De-SPAC Transaction.

12. FINANCIAL LIABILITIES

The Company issued 100,065,000 Class A Shares together with 50,032,500 Listed Warrants for an aggregate price of HK\$10 per share on 17 March 2022.

(a) Redeemable Class A Shares

The carrying amounts of the redeemable Class A Shares are as follows:

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Redeemable Class A Shares	<u>1,000,650</u>	<u>1,000,650</u>

(b) Warrant liabilities

Each Listed Warrant entitles its holder to subscribe for one Class A Share at an exercise price of HK\$11.50. Redemption threshold price of HK\$18.00 and fair value market cap of HK\$18.00 have been applied on the Listed Warrants. The Listed Warrants are only exercisable on a cashless basis, subject to customary anti-dilution adjustments.

Listed Warrants will become exercisable 30 days after the completion of the De-SPAC Transaction. Listed Warrants expire five years from the date of the De-SPAC Transaction, or earlier upon redemption or liquidation. The Company may redeem Listed Warrants upon at least 30 days' notice at a redemption price of HK\$0.01 per Listed Warrant if the closing price of the Class A Shares equals or exceeds HK\$18.00 per Share for any 20 out of the 30 consecutive trading days ending on the third trading day immediately prior to the date on which the notice of redemption is sent. Holders of Listed Warrant may exercise them after the redemption notice is given. A warrant holder has no right to participate in any distributions and/or offer of further securities made by the Company.

The fair value of the warrant liabilities which was based on its quoted market price at the end of the reporting period are as follows:

	As at 30 June 2023 Level 1 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 Level 1 <i>HK\$'000</i> (Audited)
Warrant liabilities	<u>5,504</u>	<u>5,904</u>

There were no transfers between levels for the six months ended 30 June 2023. As at 30 June 2023, the fair value of Listed Warrants was approximately HK\$5,504,000 which is determined based on its quoted market price, resulting on the recognition of fair value gain of HK\$400,000 as shown in the Condensed Statement of Profit or Loss and Other Comprehensive Income during the period.

13. SHARE CAPITAL

(a) Share capital

	Number of shares	Nominal amount <i>HK\$'000</i>
Authorised:		
Class A Shares		
As at 31 December 2022, 1 January 2023 and 30 June 2023 (HK\$0.0001 each)	<u>1,000,000,000</u>	<u>100,000</u>
Class B Shares		
As at 31 December 2022, 1 January 2023 and 30 June 2023 (HK\$0.0001 each)	<u>100,000,000</u>	<u>10,000</u>
Class B Shares issued and fully paid:		
As at 31 December 2022, 1 January 2023 and 30 June 2023	<u>24,109,411</u>	<u>6</u>

(b) Capital management

The Company's capital management objectives are to monitor its expenses on an ongoing basis and endeavor to keep the costs within the Company's primary sources of liquidity (i.e. the proceeds from the sale of Class B Shares) and to maintain sufficient financial resources to identify the suitable SPAC transaction target. The primary sources of liquidity to satisfy the capital requirements prior to the completion of the De-SPAC Transaction, and the funds from these sources will be held outside the Escrow Account comprised of proceeds from the sale of the Class B Shares and the Promoter Warrants; and the loan facility from the Promoters, which can draw down on to finance the expenses if the proceeds from the sale of the Class B Shares and the Promoter Warrants and the interest and other income from funds held in the Escrow Account are insufficient.

The Company will negotiate coverage of due diligence and transaction expenses relating to a successful De-SPAC Transaction with the confirmed De-SPAC Target. The Company expects that such expenses will be borne by the successor company from its own capital resources (including readily available cash) and the proceeds of the third-party investment required by the Listing Rules.

14. SHARE-BASED PAYMENT

Upon the completion of the Listing, the Company has issued 25,016,250 of Class B Shares and 39,000,000 of Promoter Warrants at the aggregated subscription price of HK\$6,000 and HK\$39,000,000 respectively. The conversion right (the “**Conversion Right**”) in the Class B Shares and Promoter Warrants are classified as share-based payment in according to the Company’s accounting policies.

The difference between the fair value of the Conversion Right in the Class B Shares and the Promoter Warrants and the subscription price paid by the Joint Promoters are expensed on a straight-line basis over the vesting period. The directors of the Company identified the completion of a De-SPAC transaction as the vesting condition.

Valuation of share-based payment

Equity-settled share-based payment expenses from the Conversion Right in the Class B Shares and Promoter Warrants of approximately HK\$39,851,000 (2022: HK\$21,589,000) and HK\$3,098,000 (2022: HK\$1,431,000) respectively were recognised during the period.

The Company determined the fair value of Conversion Right in the Class B Shares and Promoter Warrants on the Listing Date based on valuation performed by Avista Valuation Advisory Limited, an independent valuation firm.

(a) *Conversion Right of Class B Shares*

Movements of the number of Conversion Right in the Class B Shares outstanding during the period are as follows:

	Number of Conversion Right in Class B Shares
Outstanding as at 1 January 2022 (audited)	–
Granted as at the Listing Date	25,016,250
Surrendered during the year	<u>(906,839)</u>
Outstanding as at 31 December 2022 (audited), 1 January 2023 (audited) and 30 June 2023 (unaudited)	<u><u>24,109,411</u></u>

The fair value of the Conversion Right of the Class B Shares was estimated to be HK\$10.0, which was determined based on the unit issue price of the Class A Share at HK\$10.0 each. The valuation has taken into consideration that Class B Shares are convertible into Class A Shares on a one-for-one basis at or following the completion of the De-SPAC Transaction.

(b) Promoter Warrants

Movements of the number of Promoter Warrants outstanding during the period are as follows:

	Number of Promoter Warrants
Outstanding as at 1 January 2022 (audited)	–
Granted as at the Listing Date	39,000,000
Surrendered during the year	(1,413,750)
Outstanding as at 31 December 2022 (audited), 1 January 2023 (audited) and 30 June 2023 (unaudited)	<u>37,586,250</u>
Exercisable as at 31 December 2022 (audited) and 30 June 2023 (unaudited)	<u>–</u>

The Promoter Warrants outstanding at 30 June 2023 had an exercise price of HK\$11.5 (31 December 2022: HK\$11.5) and a weighted average remaining contractual life of (unaudited) 1.71 years (31 December 2022 (audited): 2.21 years)

The fair value was estimated as HK\$1.536 per Promoter Warrant based on Monte Carlo simulation model. Under the valuation model, multiple scenarios were used to arrive a probability-weighted value per Promoter Warrant. The key inputs into the valuation model were as follows:

Key inputs	Ranged between
Expected De-SPAC date	December 2022 – December 2023
Expected term	5 years
Exercise price	HK\$11.50
Redemption trigger price	HK\$18.00
Fair market value cap	HK\$18.00
Expected volatility	20.94% – 23.39%
Risk-free rate	1.88% – 1.95%
Dividend yield	0%

A Monte Carlo simulation model is often used when modeling systems with a large number of inputs and where there is significant uncertainty in the future value of inputs and where the movement of the inputs can be independent of each other. In view of the complicated features of the Promoter Warrants, the Directors of the Company consider that the application of Monte Carlo simulation model is reasonable.

15. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Company had the following transactions with related parties during the periods:

		Six months ended 30 June	
	<i>Note</i>	2023	2022
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Share-based payment for Class B Shares	<i>14</i>	39,851	21,589
Share-based payment for Promoter Warrants	<i>14</i>	3,098	1,431
		<hr/>	<hr/>
		42,949	23,020
Key management compensation			
Remuneration payable to independent non-executive directors		298	207
		<hr/> <hr/>	<hr/> <hr/>

16. SUBSEQUENT EVENTS

The Company does not have any material subsequent event after the end of the period.