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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)

DISCLOSEABLE TRANSACTIONS -

(i) ACQUISITIONS OF LISTED SECURITIES; AND

(ii) PROVISION OF FINANCIAL ASSISTANCE

ACQUISITIONS OF LISTED SECURITIES

The Board announced that Honest Smart, an indirect wholly-owned subsidiary of the Company, conducted the following transactions:

- (i) acquisition of 3,100,000 HKEI Shares on the open market at the total consideration of approximately HK\$2.4 million (exclusive of transaction costs) on 8 October 2019;
- (ii) acquisition of 3,000,000 HKEI Shares on the open market at the total consideration of approximately HK\$2.3 million (exclusive of transaction costs) on 11 December 2019; and
- (iii) acquisition of 8,200,000 Shineroad Shares on the open market at the total consideration of approximately HK\$3.9 million (exclusive of transaction costs) on 19 December 2019.

PROVISION OF FINANCIAL ASSISTANCE

The Board announced that on 15 August 2017, the Lender, an indirect wholly-owned subsidiary of the Company, entered into the Loan Agreement with the Borrower. Pursuant to the Loan Agreement, the Lender has agreed to grant the Loan Facility to the Borrower with a principal amount of HK\$10,000,000, bearing interest at a rate of 36% per annum for a term of twelve months from the drawdown date under the Loan Facility.

GEM LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Second HKEI Shares Acquisition, when aggregated with the First HKEI Shares Acquisition, was more than 5% but all the percentage ratios were less than 25%, the Second HKEI Shares Acquisition, when aggregated with the First HKEI Shares Acquisition, constituted a discloseable transaction of the Company and was therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

As one of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Shineroad Shares Acquisition exceeded 5% but all the percentage ratios were less than 25%, the Shineroad Shares Acquisition constituted a discloseable transaction of the Company and was therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

As one of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the grant of the Loan Facility exceeded 5% but all the percentage ratios were less than 25%, the grant of the Loan Facility constituted a discloseable transaction of the Company and was therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules. As the amount of the financial assistance granted to the Borrower did not exceed 8% under the assets ratio as defined under Rule 17.15 of the GEM Listing Rules, the grant of the Loan Facility was not subject to the general disclosure obligations under Rule 17.17 of the GEM Listing Rules.

However, due to inadvertent oversight, the Acquisitions and the grant of the Loan Facility have not been notified and announced by the Company in a timely manner in accordance with the GEM Listing Rules which constituted a breach of Chapter 19 of the GEM Listing Rules at the material time.

ACQUISITIONS OF LISTED SECURITIES

The Board announced that Honest Smart, an indirect wholly-owned subsidiary of the Company, conducted the following transactions:

- (i) acquisition of 3,100,000 HKEI Shares on the open market at the total consideration of approximately HK\$2.4 million (exclusive of transaction costs) on 8 October 2019;
- (ii) acquisition of 3,000,000 HKEI Shares on the open market at the total consideration of approximately HK\$2.3 million (exclusive of transaction costs) on 11 December 2019; and
- (iii) acquisition of 8,200,000 Shineroad Shares on the open market at the total consideration of approximately HK\$3.9 million (exclusive of transaction costs) on 19 December 2019.

The details of the Acquisitions are set out as follows:

Transaction	Date	Assets acquired by the Group	Purchase price (exclusive of transaction costs) per HKEI Share/ Shineroad Share	Total consideration (exclusive of transaction cost)
First HKEI Shares Acquisition	8 October 2019	3,100,000 HKEI Shares, representing approximately 0.6% of the entire issued share capital of HKEI as at the date of the transaction	HK\$0.790	HK\$2,449,000
Second HKEI Shares Acquisition	11 December 2019	3,000,000 HKEI Shares, representing approximately 0.5% of the entire issued share capital of HKEI as at the date of the transaction	HK\$0.750	HK\$2,250,000
Shineroad Shares Acquisition	19 December 2019	8,200,000 Shineroad Shares, representing approximately 1.2% of the entire issued share capital of Shineroad as at the date of the transaction	HK\$0.470	HK\$3,854,000

Each of the Acquisitions was made on the open market through brokerage agents, the Company was not aware of the identities of the sellers of each of the Acquisitions. Accordingly, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the sellers under the First HKEI Shares Acquisition, the Second HKEI Shares Acquisition and the Shineroad Shares Acquisition were Independent Third Parties as at the relevant transaction dates.

INFORMATION ON HKEI

According to the publicly available information, HKEI is an exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1082). HKEI and its subsidiaries (the “**HKEI Group**”) is principally engaged in the provision of private educational services, investment in securities and money lending business.

Set out below is a summary of certain audited consolidated financial information of the HKEI Group for the two years ended 30 June 2019 as extracted from the annual report of HKEI for the year ended 30 June 2019 (the “**HKEI 2019 Annual Report**”):

	For the year ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Revenue	108,940	109,027
(Loss) before taxation	(76,895)	(9,670)
(Loss) after taxation	(76,830)	(8,232)

Based on the HKEI 2019 Annual Report, the audited net asset value of the HKEI Group as at 30 June 2019 was approximately HK\$218.2 million.

INFORMATION ON SHINEROAD

According to the publicly available information, Shineroad is 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: 1587). Shineroad and its subsidiaries (the “**Shineroad Group**”) is a distributor in the food ingredients and additives distribution industry with a focus on supplying food ingredients and food additives to food manufacturers.

Set out below is a summary of certain audited consolidated financial information of the Shineroad Group for the two years ended 31 December 2018 as extracted from the annual report of Shineroad for the year ended 31 December 2018:

	For the year	
	ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Revenue	525,578	527,935
Profit before taxation	40,803	38,499
Profit after taxation	28,131	27,290

Based on the interim report of Shineroad for the six months ended 30 June 2019, the unaudited net asset value of the Shineroad Group as at 30 June 2019 was approximately RMB287.1 million.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

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

The Acquisitions were in line with the Group's principal business on securities investment and the Company considered that the Acquisitions were attractive investments that could generate additional investment returns on available funds of the Company.

Taking into account that the principal business activities of the Group and the Acquisitions were made at market price, the Directors are of the view that the terms of the Acquisitions are on normal commercial terms, fair and reasonable and the Acquisitions are in the interests of the Company and the Shareholders as a whole.

PROVISION OF FINANCIAL ASSISTANCE

The Board announced that on 15 August 2017, the Lender, an indirect wholly-owned subsidiary of the Company, entered into the Loan Agreement with the Borrower. Pursuant to the Loan Agreement, the Lender has agreed to grant the Loan Facility to the Borrower with a principal amount of HK\$10,000,000, bearing interest at a rate of 36% per annum for a term of twelve months from the drawdown date under the Loan Facility.

The principal terms of the Loan Agreement are summarised as follows:

THE LOAN AGREEMENT

Date	:	15 August 2017
Lender	:	Honest Smart Finance Limited, an indirect wholly-owned subsidiary of the Company and a licensed money lender in Hong Kong under the Money Lenders Ordinance
Borrower	:	An individual who, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Borrower was an Independent Third Party as at the date of the Loan Agreement
Principal	:	HK\$10,000,000 (drawdown in whole but not in part)
Term	:	Twelve months from the drawdown date under the Loan Facility

- Interest** : Fixed rate of 36% per annum on the principal amount of the Loan Facility. Interest is payable by month and the Borrower shall pay accrued interest on the Loan Facility in arrears on the 15th day of each month
- Repayment** : The Borrower shall fully repay to the Lender the principal amount of the Loan Facility together with all interests as accrued thereof at the end of the loan period
- Voluntary Prepayment** : The Borrower may at any time, by giving prior written notice to the Lender, to prepay the whole or any part of the principal amount of the Loan Facility (but if in part, being a minimum amount of HK\$1,000,000 and in the integral multiple of HK\$1,000,000) together with accrued interest on the amount prepaid and such other sum then due in accordance with the terms of the Loan Agreement

FUNDING OF THE LOAN FACILITY

The Group financed the Loan Facility with its internal resources.

INFORMATION OF THE LENDER

The Lender is an indirect wholly-owned subsidiary of the Company and is licensed to conduct money lending business in Hong Kong through the provision of unsecured and secured loans to customers under the provisions of the Money Lenders Ordinance.

REASONS FOR AND BENEFITS OF THE PROVISION OF THE FINANCIAL ASSISTANCE

The terms of the Loan Agreement were negotiated on an arm's length basis between the Lender and the Borrower. The Directors consider that the granting of the Loan Facility is a financial assistance provided by the Company within the meaning of the GEM Listing Rules. Taking into account the cash inflow and revenue to be generated from the expected interest income in connection with the Loan Facility, the Directors are of the view that the terms of the Loan Agreement were entered into on normal commercial terms based on the Group's credit policy and is in the ordinary and usual course of business of the Group which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Second HKEI Shares Acquisition, when aggregated with the First HKEI Shares Acquisition, was more than 5% but all the percentage ratios were less than 25%, the Second HKEI Shares Acquisition, when aggregated with the First HKEI Shares Acquisition, constituted a discloseable transaction of the Company and was therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

As one of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Shineroad Shares Acquisition exceeded 5% but all the percentage ratios were less than 25%, the Shineroad Shares Acquisition constituted a discloseable transaction of the Company and was therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

As one of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the grant of the Loan Facility exceeded 5% but all the percentage ratios were less than 25%, the grant of the Loan Facility constituted a discloseable transaction of the Company and was therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules. As the amount of the financial assistance granted to the Borrower did not exceed 8% under the assets ratio as defined under Rule 17.15 of the GEM Listing Rules, the grant of the Loan Facility was not subject to the general disclosure obligations under Rule 17.17 of the GEM Listing Rules.

However, due to inadvertent oversight, the Acquisitions and the grant of the Loan Facility have not been notified and announced by the Company in a timely manner in accordance with the GEM Listing Rules which constituted a breach of Chapter 19 of the GEM Listing Rules at the material time.

REMEDIAL ACTIONS

In order to avoid recurrence of the incidents mentioned above and to ensure the Company will fully comply with the requirements under Chapter 19 of the GEM Listing Rules in the future, the Company will take the following remedial measures:

1. the Company will provide further guidance materials and training to responsible staff regarding how to define a transaction and proper calculation methodology of the percentage ratios relating to notifiable transactions under the GEM Listing Rules and to emphasis the importance to compute size tests on a stand-alone basis and an aggregate basis prior to execute any transaction;

2. the Company will review, strengthen and continue to monitor the reporting procedure, to ensure any proposed transactions which may constitute notifiable transactions would be promptly reported to the chief financial officer of the Company. The chief financial officer of the Company shall further assess the proposed transactions and ensure the proposed transactions will be conducted in compliance with the applicable requirements under the GEM Listing Rules and the relevant rules and regulations; and
3. the Company will arrange external advisers to provide ongoing trainings on legal and regulatory requirements applicable to the business operations of the Group to the Directors, senior management and relevant employees of the Group.

DEFINITIONS

In this announcement, unless the context specifies otherwise, the following defined expressions have the following meanings:

“Acquisitions”	the First HKEI Shares Acquisition, the Second HKEI Shares Acquisition and the Shineroad Shares Acquisition
“Board”	the board of Directors
“Borrower”	an individual, who is an Independent Third Party
“Company”	KOALA Financial Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM (Stock Code: 8226)
“Director(s)”	the director(s) of the Company
“First HKEI Shares Acquisition”	acquisition of 3,100,000 HKEI Shares on the open market at the total consideration of approximately HK\$2.4 million (exclusive of transaction costs) on 8 October 2019
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HKEI”	Hong Kong Education (Int’l) Investments Limited, an exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1082)

“HKEI Shares”	ordinary shares of HKEI
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Honest Smart”	Honest Smart Investment Limited, an indirect wholly-owned subsidiary of the Company, being the purchaser of the Acquisitions
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons (having the meaning ascribed to it under the GEM Listing Rules)
“Lender”	Honest Smart Finance Limited, an indirect wholly-owned subsidiary of the Company, being the lender under the Loan Agreement
“Loan Agreement”	the loan agreement dated 15 August 2017 entered into between the Lender and the Borrower in respect of the Loan Facility
“Loan Facility”	a term loan facility of HK\$10,000,000 provided by the Lender to the Borrower pursuant to the terms of the Loan Agreement
“Money Lenders Ordinance”	the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Second HKEI Shares Acquisition”	acquisition of 3,000,000 HKEI Shares on the open market at the total consideration of approximately HK\$2.3 million (exclusive of transaction costs) on 11 December 2019
“Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Shineroad”	Shineroad International Holdings 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: 1587)
“Shineroad Shares”	ordinary shares of Shineroad
“Shineroad Shares Acquisition”	acquisition of 8,200,000 Shineroad Shares on the open market at the total consideration of approximately HK\$3.9 million (exclusive of transaction costs) on 19 December 2019
“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, 6 May 2020

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 Ms. Ng Yau Kuen, Carmen, 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 Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at “www.koala8226.com.hk”.