



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

Interim Report 2021

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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*This report, for which the directors (the "**Directors**") of KOALA Financial Group Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 report is accurate and complete in all material respects and not misleading and deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

The board of directors (the “Board”) of the Company announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2021, together with the comparative figures as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

For the six months ended 30 June 2021

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue		4,863	5,055	9,307	13,024
Cost of services		(276)	(389)	(773)	(770)
Gross profit		4,587	4,666	8,534	12,254
Realised gain on sale of listed securities		8,681	3,542	11,270	5,229
Unrealised gain/(loss) on listed securities		81,924	626	84,125	(8,052)
Other income, gains and losses		65	200	75	237
Selling and distribution expenses		-	(450)	(450)	(450)
Administrative expenses		(3,046)	(3,467)	(7,006)	(7,055)
Finance costs	4	(227)	(327)	(494)	(587)
Profit before tax	5	91,984	4,790	96,054	1,576
Income tax expense	6	(15,012)	(287)	(15,686)	(287)
Profit and total comprehensive income for the period		76,972	4,503	80,368	1,289
Profit/(loss) and total comprehensive income/(expense) for the period attributable to:					
Owners of the Company		76,579	4,592	80,141	697
Non-controlling interests		393	(89)	227	592
		76,972	4,503	80,368	1,289
Earnings per share		2021 HK cents	2020 HK cents (revised)	2021 HK cents	2020 HK cents (revised)
- Basic and diluted	7	55.03	3.30	57.59	0.50

Condensed Consolidated Statement of Financial Position (Unaudited)

As at 30 June 2021

	Notes	As at	
		30 June 2021 HK\$'000	31 December 2020 HK\$'000
Non-current assets			
Property, plant and equipment		1,538	2,169
Right-of-use assets		3,846	5,000
Investment properties		19,300	19,300
Loans and interests receivable		414	529
Goodwill		18,302	18,302
Other intangible assets		20,000	20,000
		63,400	65,300
Current assets			
Loans and interests receivable		40,965	48,679
Accounts receivable	9	62,596	79,677
Prepayments and deposits paid		1,848	1,907
Financial assets at fair value through profit or loss		108,654	41,246
Bank balances – trust accounts		42,645	53,263
Bank balances and cash – general accounts and cash		147,056	126,065
		403,764	350,837
Current liabilities			
Accounts payable	10	48,573	78,999
Other payables and accruals		9,767	12,191
Rental deposits received		155	155
Lease liabilities		2,311	2,253
Amount due to non-controlling interests		10,400	10,400
Other borrowing		-	11,000
Corporate bonds payable		9,918	8,753
Income tax payable		20,218	4,534
		101,342	128,285
Net current assets		302,422	222,552
Total assets less current liabilities		365,822	287,852

	Notes	As at	
		30 June 2021 HK\$'000	31 December 2020 HK\$'000
Non-current liabilities			
Lease liabilities		1,408	2,586
Corporate bonds payable		8,624	9,398
Deferred tax liabilities		3,240	3,240
		13,272	15,224
Net assets		352,550	272,628
Capital and reserves			
Share capital	17	27,833	27,833
Reserves		313,667	236,016
Equity attributable to owners of the Company		341,500	263,849
Non-controlling interests		11,050	8,779
Total equity		352,550	272,628

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2021

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium account	Capital reserve	Share option reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	27,833	653,399	-	7,410	(429,057)	259,585	8,042	267,627
Total comprehensive income for the period	-	-	-	-	697	697	592	1,289
At 30 June 2020	27,833	653,399	-	7,410	(428,360)	260,282	8,634	268,916
At 1 January 2021	27,833	653,399	-	-	(417,383)	263,849	8,779	272,628
Total comprehensive income for the period	-	-	-	-	80,141	80,141	227	80,368
Acquisition of non-controlling interest (note)	-	-	(2,490)	-	-	(2,490)	2,044	(446)
At 30 June 2021	27,833	653,399	(2,490)	-	(337,242)	341,500	11,050	352,550

Note:

On 18 March 2021, the minority shareholder disposed of its entire equity interest of 49% in KOALA Capital Management Limited to the Group for a cash consideration of HK\$200,000 and ceased to be a related party of the Group since then.

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Net cash generated from/(used in) operating activities	33,302	(5,590)
Net cash generated from investing activities	10	41
Net cash used in financing activities	(12,321)	(1,080)
Net increase/(decrease) in cash and cash equivalents	20,991	(6,629)
Cash and cash equivalents at beginning of the period	126,065	98,594
Cash and cash equivalents at end of the period	147,056	91,965
Analysis of cash and cash equivalents at end of the period: Bank balances and cash – general accounts and cash	147,056	91,965

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

1. GENERAL

The Company is a limited liability company incorporated in the Cayman Islands, and the issued shares of the Company are listed on GEM of the Stock Exchange.

The Company is principally engaged in investment holding. The principal activities of the Company's principal subsidiaries are set out as follow:

- Securities investments
- Provision of securities placing and brokerage services
- Leasing of investment properties
- Money lending business

The consolidated financial statements are presented in Hong Kong dollar ("HK\$"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the GEM Listing Rules.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in the exchange for goods.

The accounting policies and method of computation used in preparing the financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2020.

The Group has adopted certain new/revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the “**HKFRSs**”) that are effective for the current accounting period. The adoption of the new/revised HKFRSs has no material impact on the Group’s financial statements.

The Group has not early adopted the new/revised HKFRSs, that have been issued but are yet effective, and are potentially relevant to the Group’s financial statements.

The condensed financial statements are unaudited but have been reviewed by the audit committee of the Company.

3. OPERATING SEGMENT INFORMATION

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit/loss before tax except that bank interest income, finance costs, as well as other head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Segment revenue and results

	Segment revenue For the six months ended 30 June		Segment profit/(loss) For the six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Securities investments	-	-	95,395	(2,823)
Provision of securities placing and brokerage services	5,393	7,160	4,620	6,390
Leasing of investment properties	309	309	286	288
Money lending business	3,605	5,555	3,279	5,071
	9,307	13,024	103,580	8,926

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (2020: Nil).

	For the six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Segment profit reported above	103,580	8,926
Interest income from bank deposits	10	41
Corporate and other unallocated expenses - net	(7,042)	(6,804)
Finance costs	(494)	(587)
Profit before tax	96,054	1,576
Income tax expense	(15,686)	(287)
Profit for the period	80,368	1,289

Segment assets and liabilities

	As at	
	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Segment assets		
Securities investments	108,654	41,246
Provision of securities placing and brokerage services	178,361	207,584
Leasing of investment properties	19,558	19,610
Money lending business	84,347	86,225
Provision of assets management services	372	829
Total segment assets	391,292	355,494
Corporate and other unallocated assets	75,872	60,643
Total assets	467,164	416,137

	As at	
	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Segment liabilities		
Provision of securities placing and brokerage services	60,004	90,375
Leasing of investment properties	155	155
Provision of assets management services	2	2
Total segment liabilities	60,161	90,532
Corporate and other unallocated liabilities	54,453	52,977
Total liabilities	114,614	143,509

4. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Interest on:				
- Corporate bonds payable	196	262	389	521
- Lease liabilities	31	65	66	66
- Other borrowing	-	-	39	-
	227	327	494	587

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Depreciation of property, plant and equipment	313	332	629	582
Depreciation of right-of-use assets	673	438	1,354	1,057

6. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of the assessable profits of qualifying group entity are taxed at 8.25%, and assessable profits above HK\$2 million are taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5%.

For the six months ended 30 June 2021 and 30 June 2020, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Earnings				
Earnings for the purposes of basic and diluted earnings per share	76,579	4,592	80,141	697
	Number of shares '000	Number of shares '000 (revised)	Number of shares '000	Number of shares '000 (revised)
Number of shares				
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	139,168	139,168	139,168	139,168

The number of ordinary shares for the purpose of basic earnings per share has been adjusted to take into account the share consolidation which took place on 18 March 2021.

Diluted earnings per share

The computation of diluted earnings per share does not assume the exercise of the Company's share options granted because the exercise price of those share options was higher than the average market price for shares of the Company for the six months ended 30 June 2020.

Diluted earnings per share for both of the six months ended 30 June 2021 and 30 June 2020 are the same as basic earnings per share as there were no potential ordinary shares in issue during the years 2020 and 2021.

8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil).

9. ACCOUNTS RECEIVABLE

	As at	
	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Accounts receivable from - clearing house, brokers and cash clients	10,251	34,223
- margin clients	52,191	45,248
Other accounts receivable	62,442	79,471
	154	206
Less : impairment losses recognised	62,596	79,677
	-	-
	62,596	79,677

Accounts receivable from the business of securities brokerage

Cleaning house, brokers and cash clients

The settlement terms of accounts receivable from clearing house, brokers and cash clients are two days after trade date. No ageing analysis of the accounts receivable from clearing house, brokers and cash clients is disclosed as management of the Group is of the view that the ageing analysis does not give additional value in view of the nature of this business.

Margin clients

Margin clients receivable are secured by clients' pledged securities at fair value of approximately HK\$256,218,000 (31 December 2020: HK\$305,935,000). The amounts are repayable on demand and carrying interest from 6% to 16% per annum.

Other accounts receivable

The following is an ageing analysis of other accounts receivable based on the invoice date, at the end of the reporting period:

	As at	
	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Within 30 days	154	206

10. ACCOUNTS PAYABLE

	As at	
	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Accounts payable from clearing house, brokers and cash clients	48,573	78,999

The settlement terms of accounts payable from clearing house, brokers and cash clients, which arose from the business of securities brokerage are two days after trade date. No ageing analysis of these accounts payable is disclosed as management of the Group is of the view that the ageing analysis does not give additional value in view of the nature of this business.

11. SHARE CAPITAL

	Number of ordinary shares '000	Amount HK\$'000
Authorised:		
At 1 January 2020, 30 June 2020 and 31 December 2020		
- Ordinary shares of HK\$0.01 each	20,000,000	200,000
Share consolidation (<i>note</i>)	(19,000,000)	-
At 30 June 2021		
- Ordinary shares of HK\$0.2 each	1,000,000	200,000
Issued and fully paid:		
At 1 January 2020, 30 June 2020 and 31 December 2020		
- Ordinary shares of HK\$0.01 each	2,783,260	27,833
Share consolidation (<i>note</i>)	(2,644,092)	-
At 30 June 2021		
- Ordinary shares of HK\$0.2 each	139,168	27,833

Note:

Pursuant to an ordinary resolution passed in the extraordinary general meeting of the Company on 18 March 2021, every twenty issued and unissued shares of the Company of HK\$0.01 each were consolidated into one consolidated share of the Company of HK\$0.2 each with effective on 22 March 2021.

12. CAPITAL COMMITMENTS

As at 31 December 2020 and 30 June 2021, the Group did not have any significant capital commitments.

13. RELATED PARTY TRANSACTIONS

For the six months ended 30 June 2021, the Group did not have any transactions with related parties.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period, the Group's businesses were organised in four operation's segments namely (i) Securities Brokerage Business; (ii) Money Lending Business; (iii) Securities Investment Business and (iv) Properties Investment Business.

Securities Brokerage Business

The Group carries out the securities brokerage business through its subsidiary, namely KOALA Securities Limited ("**KOALA Securities**"), which is to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO. KOALA Securities possesses the right to be eligible to trade on or through the Stock Exchange and is a participant of the HKSCC.

Founded in 2015, KOALA Securities is a well-established integrated securities broker in the Hong Kong financial services industry. It primarily provides (i) brokerage services, (ii) margin financing and short-term IPO financing, and (iii) placing and underwriting services to its customers.

Despite KOALA Securities is heavily affected by the global outbreak of the coronavirus since early 2020 which had deteriorated market sentiment and kept investors away from the markets, the Group will, from time to time, allocate resources to this business segment. The Board expects such segment will become one of the major growth drivers to the Group.

Revenue from this business segment during the period was approximately HK\$5.4 million, representing a decrease of approximately HK\$1.8 million as compared to approximately HK\$7.2 million in the corresponding period of 2020. It accounted for approximately 57.9% (2020: 55.0%) of the Group's revenue during the period.

Money Lending Business

The Group carries out the money lending business through its wholly-owned subsidiary, namely Honest Smart Finance Limited ("**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). In developing the money lending business, Honest Smart Finance targets corporations and individuals with financing needs. It will only advance new loans to those borrowers whose have good financial credit rating and all overdue balances are reviewed regularly by its senior management.

The outbreak of the coronavirus had further worsened the economy, and heightened volatility and risks. Honest Smart Finance will take measures accordingly to improve its overall operational efficiency and mitigate its credit risk.

During the period, the Group recorded loan interest income of approximately HK\$3.6 million (2020: HK\$5.6 million) from granting loans to both corporate and individual clients. It accounted for approximately 38.7% (2020: 42.7%) of the Group's revenue during the period. The principal amount of loans and interests receivable as at 30 June 2021 was HK\$38.4 million (31 December 2020: HK\$48.2 million). During the period, the Group did not record any doubtful or bad debt in its money lending activities.

Securities Investment Business

The Group commenced the securities investment business in the third quarter of 2015. The investment scope includes short-term investments in listed securities in Hong Kong and other recognised overseas securities markets as well as other related investment products offered by banks and financial institutions, with the goal to generate additional investment returns on available funds of the Company from time to time.

The investment in Hong Kong Aerospace Technology Group Limited (formerly known as Eternity Technology Holdings Limited) (stock code: 1725) has been making a tremendous result. There is an unrealized gain from such investment by the Company of approximately HK\$82.5 million as at 30 June 2021.

As at 30 June 2021, the Group managed a portfolio of listed equity investment with fair value of approximately HK\$108.7 million (31 December 2020: HK\$41.2 million) which are classified as held-for-trading investments. During the period, the Group recorded a gain on fair value change of listed equity investments of approximately HK\$84.1 million (2020: loss of approximately HK\$8.1 million) and a realised gain of approximately HK\$11.3 million (2020: gain of approximately HK\$5.2 million).

Details of the Group's held-for-trading investments are set out in the section headed "Significant Investments".

Properties Investment Business

In the third quarter of 2016, the Group had commenced its properties investment business and acquired certain commercial property in Hong Kong for investment purpose. The Group may lease out its investment properties for recurring rental income, which generates rental income to the Group.

During the period, the rental income was approximately HK\$0.3 million (2020: HK\$0.3 million). It accounted for approximately 3.3% (2020: 2.4%) of the Group's revenue during the period.

FINANCIAL REVIEW

For the six months ended 30 June 2021, the revenue of the Group decreased to approximately HK\$9.3 million (2020: HK\$13.0 million), representing a decrease of approximately 28.5% when compared with that of 2020. The reason for the decrease in turnover was primarily attributable to the recent outbreak of the coronavirus since early 2020, which led to (i) the decrease in revenue contributed from the share placement and underwriting services and (ii) the increase in credit risk on the money lending business.

For the six months ended 30 June 2021, the Group recorded a realised gain on sale of listed securities of approximately HK\$11.3 million as compared to the gain of approximately HK\$5.2 million for the same corresponding period in 2020.

For the six months ended 30 June 2021, the Group recorded an unrealised gain on listed securities of approximately HK\$84.1 million as compared to the loss of approximately HK\$8.1 million for the same corresponding period in 2020. The significant increase was mainly caused by an unrealised gain from the investment in Hong Kong Aerospace Technology Group Limited (stock code: 1725) of approximately HK\$82.5 million. Provision for taxation of approximately HK\$13.9 million on such gain was made during the period.

Due to the above reasons, the Group recorded a net profit of approximately HK\$80.4 million for the six months ended 30 June 2021, representing an increase as compared with a net profit of approximately HK\$1.3 million for the same period of 2020.

LOOKING AHEAD

Looking forward, the Board will continue to develop current businesses and at the same time proactively explore new business areas and seek suitable investment opportunities. Besides, the Group will continue to strictly control risks, strengthen internal management, integrate dominant resources and develop a cautious investment strategy in order to create a better return for its shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the six months ended 30 June 2021, the Group's major business operations took place in Hong Kong, financed mainly by the revenue generated from operating activities and corporate borrowings. As at 30 June 2021, the Group had cash and bank balances of approximately HK\$147.1 million (31 December 2020: HK\$126.1 million).

As at 30 June 2021, the Group's total indebtedness comprised of corporate bonds of approximately HK\$18.5 million (31 December 2020: HK\$18.2 million).

As at 30 June 2021, the Group's outstanding number of issued shares of HK\$0.2 each was 139,167,997 shares (31 December 2020: 2,783,359,958 shares of HK\$0.01 each).

The Group's gearing ratio, as a percentage of total indebtedness over total indebtedness and total equity, as at 30 June 2021 was 5.0% (31 December 2020: 9.7%).

UPDATE ON THE USE OF PROCEEDS FROM THE OPEN OFFER

Reference is made to the announcement of the Company dated 23 December 2016 (the “**Announcement**”) in relation to the issue by way of open offer on the basis of one (1) Offer Share for every two (2) Shares in issue (the “**Open Offer**”). The net proceeds from the Open Offer were approximately HK\$109.2 million (the “**Proceeds**”). The breakdown of the Company’s actual use of the Proceeds as at 30 June 2021 was as follows:

Intended use of the Proceeds as disclosed in the Announcement

Actual use of the Proceeds

Approximately HK\$70.0 million for the development of securities business

- 1) Approximately HK\$38.2 million was applied as capital investment in a subsidiary of the Group, KOALA Securities, providing securities placing and brokerage services; and
- 2) Approximately HK\$31.8 million will be applied for the expansion of the securities margin financing activities. As the activities are at the start-up stage, the Proceed will be delayed until KOALA Securities have enough financing needs from its customers. The Board expects that the Proceed could be applied on or before December 2021.

Approximately HK\$20.0 million for the development of money lending business

- 1) Applied as intended.

Approximately HK\$19.2 million for general working capital of the Group and/or investment opportunities as may be identified from time to time

- 1) Applied as intended.

It is confirmed that there is no change in the use of Proceeds. The Directors are of the view that the actual use of the Proceeds is in the interest of the Company and the Shareholders as a whole.

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 30 June 2021, the Group did not have any material acquisitions or disposals which would be required to be disclosed under the GEM Listing Rules.

SIGNIFICANT INVESTMENTS

As at 30 June 2021, the Group held approximately HK\$108.7 million (31 December 2020: HK\$41.2 million) of equity investments which were classified as held for trading. Details of the significant investments are as follows:

	Stock code	Place of incorporation	Fair value gain/(loss) HK\$'000	Market value HK\$'000	Approximate percentage of held-for-trading investment %	Approximate percentage to the net asset %
EJE (Hong Kong) Holdings Limited	8101	Cayman Islands	(1,119)	2,134	2.0	0.6
Hong Kong Aerospace Technology Group Limited	1725	Cayman Islands	82,536	86,805	79.9	24.6
Hong Kong Education (Int'l) Investments Limited	1082	Cayman Islands	2,953	12,872	11.8	3.7
Others		N/A	(245)	6,843	6.3	1.9
			84,125	108,654	100.0	30.8

In view of the recent volatile in the stock market, the Board will adopt cautious measures to manage the Group's investment portfolio with an aim to provide positive return to the Group in the near future.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group had about 20 (2020: 20) employees. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits scheme contribution amounted to approximately HK\$3.4 million (2020: HK\$3.4 million).

The Group believes that its staff is one of the Group's most important assets. Aiming at providing competitive salary packages, the Group adjusts employees' salary level in close association with the performance, qualifications and experience of individual staff as well as labour market conditions. In addition to the regular remuneration, discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance. The Group is also committed to providing appropriate on-going training to staff members to equip them for future career development.

PLEDGE ON ASSETS

As at 31 December 2020 and 30 June 2021, the Group did not have any substantial pledge of assets.

CONTINGENT LIABILITIES

As at 31 December 2020 and 30 June 2021, the Group did not have any material contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

During the period under review, the Group's transactions were mainly denominated in Hong Kong dollars. The Board do not consider that the Group was significantly exposed to any foreign currency exchange risk.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

None of the Directors nor chief executives of the Company had interests or short positions in any shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2021.

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

As at 30 June 2021, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions in ordinary shares and underlying shares of the Company

Name	Capacity	Number of Ordinary shares held	Number of underlying shares held	Total	Percentage of issued share capital of the Company
Ms. Wong Ka Man	Beneficial owner	26,533,363	-	26,533,363	19.07%

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 30 June 2021.

SHARE OPTIONS

The share option scheme effective on 8 July 2002 (the "2002 Share Option Scheme") was terminated and a new share option scheme (the "New Share Option Scheme") was adopted and became effective for a period of 10 years commencing from 15 June 2012. Shares options granted prior to the expiry of the 2002 Share Option Scheme will continue to be valid and exercisable in accordance with the rules of the 2002 Share Option Scheme. The Group did not have any outstanding share options as at 31 December 2020 and 30 June 2021.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during the period were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or chief executive of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them or was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire such rights or benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the period.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and required standard of dealings and its code of conduct regarding security transactions by the Directors throughout the six months ended 30 June 2021.

CORPORATE GOVERNANCE PRACTICES AND PROCEDURES

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the “**CG Code**”) set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2021, except for the code provision A6.7 of the CG Code.

The code provision A6.7 of the CG Code stipulated that independent non-executive Directors should attend the general meetings of the Company. Two of the independent non-executive Directors were unable to attend the annual general meeting of the Company held on 3 June 2021 due to other business engagements.

CHANGE IN INFORMATION OF DIRECTORS

The Company is not aware of any other change in Directors’ information which are required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules subsequent to the date of the 2020 annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code on Corporate Governance Practice as defined in the GEM Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting processes and internal controls. The audit committee comprises exclusively of independent non-executive Directors.

The Group's unaudited results for the six months ended 30 June 2021 have been reviewed by the audit committee, which was of the opinion that such financial statements complied with the applicable accounting standards and that adequate disclosures have been made.

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

Hong Kong, 13 August 2021

As at the date of this report, 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 report will remain on the "Latest Listed Company Information" page of the GEM website at "www.hkgem.com" for at least seven days from its date of posting and on the Company's website at "www.koala8226.com.hk".