



**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

**First Quarterly Report 2018**

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 (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 condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 31 March 2018, together with the comparative figures as follows:

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

For the three months ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Revenue	3	15,434	3,891
Cost of sales and services		(832)	(906)
Gross profit		14,602	2,985
Other income and gains	3	8,013	523
Selling and distribution expenses		(50)	(365)
Administrative expenses		(5,445)	(8,358)
Other operating expenses	4	—	(9,918)
Finance costs		(1,670)	(1,436)
Profit/(loss) before taxation		15,450	(16,569)
Taxation charge	5	(2,549)	—
<b>Profit/(loss) for the period</b>		<b>12,901</b>	<b>(16,569)</b>
Other comprehensive (expense)/ income			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translating foreign operations			
— Exchange differences arising during the period		(53)	32
Other comprehensive (expense)/ income for the period		(53)	32
<b>Total comprehensive income/(expense) for the period</b>		<b>12,848</b>	<b>(16,537)</b>

	Notes	2018 HK\$'000	2017 HK\$'000
Profit/(loss) for the period attributable to:			
Owners of the Company		<b>11,335</b>	(16,113)
Non-controlling interests		<b>1,566</b>	(456)
		<b>12,901</b>	(16,569)
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		<b>11,308</b>	(16,097)
Non-controlling interests		<b>1,540</b>	(440)
		<b>12,848</b>	(16,537)
<b>Earning/(loss) per share</b>	6		
Basic		<b>HK0.46 cents</b>	HK(0.81) cents
Diluted		<b>N/A</b>	N/A

# Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the three months ended 31 March 2018

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium account	Convertible bonds reserve	Share option reserve	Exchange fluctuation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2017	16,380	450,226	74,286	7,410	(311)	(439,987)	108,004	(1,719)	106,285
Total comprehensive income/(expense) for the period	—	—	—	—	16	(16,113)	(16,097)	(440)	(16,537)
Issue of shares upon open offer	8,190	106,472	—	—	—	—	114,662	—	114,662
Share issue expenses	—	(5,273)	—	—	—	—	(5,273)	—	(5,273)
At 31 March 2017	24,570	551,425	74,286	7,410	(295)	(456,100)	201,296	(2,159)	199,137
At 1 January 2018	24,570	551,182	74,286	7,410	(292)	(449,728)	207,428	(6,238)	201,190
Total comprehensive (expense)/income for the period	—	—	—	—	(27)	11,335	11,308	1,540	12,848
At 31 March 2018	24,570	551,182	74,286	7,410	(319)	(438,393)	218,736	(4,698)	214,038

# Notes to Condensed Consolidated Financial Statements (Unaudited)

For the three months ended 31 March 2018

## 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 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

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that 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 2017.

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

### 3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of net invoiced value of goods sold, after allowances for returns, trade discounts and sales related taxes, income from provision of securities placing and brokerage services, interest income from loans receivable and rental income from lease of investment properties, analysed as follows:

	2018 HK\$'000	2017 HK\$'000
<b>Revenue</b>		
Sales of goods	—	114
Provision of securities placing and brokerage services	11,909	3,447
Interest income from loans receivable	3,390	195
Rental income from lease of investment properties	135	135
<b>Total revenue</b>	<b>15,434</b>	3,891

	2018 HK\$'000	2017 HK\$'000
<b>Other income and gains</b>		
Exchange gain, net	14	—
Gain on change in fair value of financial assets at fair value through profit or loss		
— Net realised gain on sale of listed securities	1,440	—
— Net unrealised gain on listed securities	6,051	—
Interest income from		
— bank deposits	342	4
— loans receivable	—	382
Rental income	—	86
Others	166	51
<b>Total other income and gains</b>	<b>8,013</b>	523

#### 4. OTHER OPERATING EXPENSES

	2018 HK\$'000	2017 HK\$'000
Loss on change in fair value of financial assets at fair value through profit or loss		
— Net realised loss on sale of listed securities	—	3,035
— Net unrealised loss on listed securities	—	6,558
Impairment losses recognised in respect of other receivables	—	325
	—	9,918

#### 5. TAXATION CHARGE

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the period.

No provision for Hong Kong profits tax has been made for the last period presented as the Group did not generate any assessable profits arising in Hong Kong during that period.

## 6. EARNINGS/(LOSS) PER SHARE

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

	2018 HK\$'000	2017 HK\$'000
<b>Earnings/(loss)</b>		
Earnings/(loss) for the purpose of basic earnings/(loss) per share	<b>11,335</b>	(16,113)
Effect of dilutive potential ordinary shares: Interest on convertible bonds	<b>1,439</b>	1,218
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	<b>N/A</b>	N/A
	<b>Number of shares '000</b>	Number of shares '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<b>2,457,044</b>	1,983,835
Effect of dilutive potential ordinary shares: Convertible bonds	<b>187,282</b>	118,037
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<b>2,644,326</b>	2,101,872

Diluted loss per share for the three months ended 31 March 2018 and 31 March 2017 are not presented because the Group sustained a loss for the last period and the impact of conversion of convertible bonds and exercise of share options is regarded as anti-dilutive.

## 7. DIVIDENDS

No dividend was paid or proposed during the three months ended 31 March 2018, nor has any dividend been proposed since the end of the reporting date (2017: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the period, the Group's businesses were organised in five operation's segments namely (i) Securities brokerage, underwriting and placements; (ii) Money lending; (iii) Securities investment; (iv) Investment in properties and (v) Asset management.

### Securities Brokerage, Underwriting and Placements

In November 2016, the Group completed the acquisition of 80% equity interest in KOALA Securities Limited ("KOALA Securities"). As at 31 December 2017, KOALA Securities is licensed to carry on Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities under the SFO. The Group is optimistic about the market condition of the securities brokerage, share placements, underwriting services and other related businesses and believes that it will benefit the Group in the long term.

Revenue from this business segment during the period was approximately HK\$11.9 million (2017: HK\$3.4 million). It accounted for approximately 77.2% of the Group's revenue during the period.

### Money Lending

In February 2016, the Group, through an indirect wholly-owned subsidiary of the Group, obtained a money lender's licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). In developing the Group's money lending business, the Group targets corporations and individuals with financing needs. The Group will only advance new loans to those borrowers whose have good financial credit rating and all overdue balances are reviewed regularly by our senior management.

During the period, the Group recorded loan interest income of approximately HK\$3.4 million (2017: HK\$0.2 million) from granting loans to both corporate and individual clients. It accounted for approximately 22.0% of the Group's revenue during the period. The outstanding principal amount of loan receivables as at 31 March 2017 was HK\$44 million. During the period, the Group did not record any doubtful or bad debt in its money lending activities.

## Securities Investment

This business activity started 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. The Board expects that this business activity can generate additional investment returns on available funds of the Company from time to time.

As at 31 March 2018, the Group managed a portfolio of listed equity investment with fair value of approximately HK\$27.5 million (2017: approximately HK\$30.9 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\$6.1 million (2017: loss of approximately HK\$6.6 million) and a realised gain of approximately HK\$1.4 million (2017: loss of approximately HK\$3.0 million).

## Investment in Properties

In the third quarter of 2016, the Group had acquired commercial properties for investment purpose. The properties are located in Hong Kong. It is currently leased by a listed company. The Group believes that these properties could generate stable rental income to the Group.

During the period, the rental income was approximately HK\$0.1 million (2017: HK\$0.1 million). It accounted for approximately 0.9% of the Group's revenue during the period.

## Asset Management

The Group started the business of asset management by obtaining a licence, through an indirect 40.8% owned subsidiary, KOALA Capital Management Limited, to carry out Type 9 (Asset Management) regulated activities under the SFO in the fourth quarter of 2017. It is focusing on the markets of equities, bond, real estate and private equity in Asia Pacific.

The operations and businesses were at the start-up stage and faces marketing risk with its fund launches. However, the Board expects it to contribute over the long term.

As at 31 March 2018, the assets under management was nil.

## FINANCIAL REVIEW

For the three months ended 31 March 2018, the revenue of the Group increased to approximately HK\$15.4 million (2017: HK\$3.9 million), representing an increase of approximately 75.0% when compared with that of 2017. The increase in turnover mainly attributable to the performance improved from the business of securities brokerage, underwriting and placements, of which the increment was HK\$8.5 million.

The Group recorded a net profit of approximately HK\$12.9 million for this period, compared with a net loss of approximately HK\$16.6 million for the same period of last year. The main reasons for the reduction in such loss were mainly due to the improvement of the business of securities brokerage, underwriting and placements and the fair value gain on the Group's held-for-trading investments of HK\$6.1 million recognised in this period.

## LOOKING AHEAD

Looking forward, the Group 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.

## LEGAL PROCEEDING

Reference is made to the Company's announcement dated 25 July 2014 in relation to a writ of summons received by the Company. It was alleged in the writ that a total sum of HK\$10,000,000 was advanced by Total Shares Limited (the "**Plaintiff**") to Mr. Shan Xiaochang ("**Mr. Shan**"), the former Board Chairman and Chief Executive Officer, pursuant to a loan agreement (the "**Loan Agreement**") dated 9 August 2013 made between the Plaintiff as the lender and Mr. Shan as the borrower, the repayment of which was guaranteed by the Company as a guarantor by a guarantee (the "**Guarantee**") signed by the Company in favour of the Plaintiff dated 9 August 2013. The amount of the claim specified in the writ was HK\$10,000,000 plus the accrued unpaid interest under the Loan Agreement and other interest.

As no meeting at the Board or shareholders of the Company was held to approve the Guarantee or authorise any Director to sign the Guarantee for and on behalf of the Company, the Board is of the view that the Guarantee is not binding on or enforceable against the Company and the claim has no merit against the Company. The Company has been advised by the counsel that the Company shall have a good defence to the case and shall not be liable to the Plaintiff's claim. Taken into account that the application of striking out the Plaintiff's claim will incur additional cost, the Company will adopt a wait and see approach towards the Plaintiff's claim.

## **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 31 March 2018.

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

As at 31 March 2018, 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	Percentage of	
				Total	issued share capital of the Company
Ms. Wong Ka Man	Beneficial owner	204,351,472	326,315,790	530,667,262 (Note)	21.60%

Note:

Ms. Wong Ka Man is interested in 530,667,262 Shares/underlying shares of the Company of which 326,315,790 underlying shares may be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds issued by the Company, provided that:

- (i) any conversion of the Convertible Bonds will not trigger a mandatory offer obligation under Rule 26 of Takeovers Code on the part of the bondholder and any parties acting in concert with it (as defined in the Takeovers Code); and
- (ii) the exercise of the Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the GEM Listing Rules.

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 31 March 2018.

## **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.

## 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 Mr. Hung Cho Sing, Mr. Luk Kin Ting and Mr. Kam Hou Yin, John who are the independent non-executive Directors.

The Group's unaudited results for the three months ended 31 March 2018 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, 9 May 2018

*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. Kam Hou Yin, John, being the independent non-executive directors.*