



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

Third Quarterly Report 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange 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 the 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 nine months ended 30 September 2017, together with the comparative figures as follows:

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

For the nine months ended 30 September 2017

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	3	3,557	1,067	9,374	59,468
Cost of sales and services		(784)	(1,002)	(2,380)	(55,404)
Gross profit		2,773	65	6,994	4,064
Other income and gains		5,449	3,565	8,740	13,571
Selling and distribution expenses		(220)	(47)	(816)	(124)
Administrative expenses		(5,789)	(6,367)	(23,183)	(21,821)
Other operating expenses		(3,836)	(7,390)	(4,161)	(22,038)
Finance costs		(1,564)	(1,453)	(4,554)	(5,343)
Share of loss of associates		—	(21)	—	(91)
Loss before tax		(3,187)	(11,648)	(16,980)	(31,782)
Income tax	4	834	—	606	—
Loss for the period		(2,353)	(11,648)	(16,374)	(31,782)
Other comprehensive income/ (expense)					
Exchange differences on translating foreign operations		(52)	26	21	(104)
Other comprehensive income/ (expense) for the period		(52)	26	21	(104)
Total comprehensive expense for the period		(2,405)	(11,622)	(16,353)	(31,886)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Loss for the period attributable to:					
Owners of the Company		(449)	(9,501)	(12,942)	(28,756)
Non-controlling interests		(1,904)	(2,147)	(3,432)	(3,026)
		(2,353)	(11,648)	(16,374)	(31,782)
Total comprehensive expense for the period attributable to:					
Owners of the Company		(475)	(9,488)	(12,931)	(28,809)
Non-controlling interests		(1,930)	(2,134)	(3,422)	(3,077)
		(2,405)	(11,622)	(16,353)	(31,886)
Earnings/(loss) per share	5				
— Basic (<i>in cents</i>)		(0.02)	(0.70)	(0.56)	(2.36)
— Diluted (<i>in cents</i>)		0.04	N/A	N/A	N/A

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the nine months ended 30 September 2017

	Attributable to owners of the Company								
	Share	Share	Convertible	Share	Exchange	Accumulated	Non-		Total
	capital	premium	bonds	option	fluctuation	losses	Total	controlling	equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016	11,375	378,871	74,286	7,410	1,123	(368,090)	104,975	(45,466)	59,509
Total comprehensive expense for the period	—	—	—	—	(53)	(28,756)	(28,809)	(3,077)	(31,886)
Issue of shares upon share placement	2,275	33,670	—	—	—	—	35,945	—	35,945
Share issue expenses	—	(1,081)	—	—	—	—	(1,081)	—	(1,081)
Decrease in non-controlling interests arising on disposal of subsidiaries	—	—	—	—	—	—	—	8,336	8,336
Transfer to retained earnings on disposal of a subsidiary	—	—	—	—	(1,288)	(34,029)	(35,317)	35,317	—
At 30 September 2016	13,650	411,460	74,286	7,410	(218)	(430,875)	75,713	(4,890)	70,823
At 1 January 2017	16,380	450,226	74,286	7,410	(311)	(439,987)	108,004	(1,719)	106,285
Total comprehensive expense for the period	—	—	—	—	11	(12,942)	(12,931)	(3,422)	(16,353)
Issue of shares upon open offer	8,190	106,472	—	—	—	—	114,662	—	114,662
Share issue expenses	—	(5,316)	—	—	—	—	(5,316)	—	(5,316)
At 30 September 2017	24,570	551,382	74,286	7,410	(300)	(452,929)	204,419	(5,141)	199,278

Notes to Condensed Consolidated Financial Statements

For the nine months ended 30 September 2017

1. GENERAL

The Company is a limited liability company incorporated in the Cayman Islands, and the issued shares of which 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 investment
- Trading of commodities
- Trading of garment accessories
- Manufacture and sales of LED digital display products
- Provision of securities placing and brokerage services
- Money lending
- Leasing of investment properties

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 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, 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 2016.

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

3. REVENUE

Revenue, which is also the Group's turnover recognised for the period, 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 money lending activities and rental income from lease of investment properties, analysed as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue				
Sales of goods	—	1,067	114	59,468
Provision of securities placing and brokerage services	1,835	—	6,119	—
Interest income from money lending activities	1,587	—	2,736	—
Rental income from lease of investment properties	135	—	405	—
Total revenue	3,557	1,067	9,374	59,468

4. INCOME TAX

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Current tax				
Hong Kong Profit Tax	864	—	1,092	—
Over-provision in prior period	(1,698)	—	(1,698)	—
Total tax credit	(834)	—	(606)	—

Hong Kong Profit Tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the period.

No provision for Hong Kong Profits Tax has been made for the three months and nine months ended 30 September 2016 as the Group did not generate any assessable profits arising in Hong Kong during those periods.

5. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on the following data:

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Earnings/(loss)				
Loss for the purposes of basic loss per share	(449)	(9,501)	(12,942)	(28,756)
Effect of dilutive potential ordinary shares: Interest on convertible bonds	1,435	1,216	3,885	3,302
Earnings/(loss) for the purposes of diluted earnings/(loss) per share	986	N/A	N/A	N/A
	Number of shares '000	Number of shares '000	Number of shares '000	Number of shares '000
Number of shares				
Weighted average number of ordinary shares for the purposes of basic loss per share	2,457,044	1,365,029	2,301,041	1,218,898
Effect of dilutive potential ordinary shares: Convertible bonds	237,883	151,002	197,193	172,879
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	2,694,927	1,516,031	2,498,234	1,391,777



Diluted loss per share is not presented because the Group sustained a loss for each of these periods and the impact of convertible bonds and exercise of share options and unlisted warrants is regarded as anti-dilutive.

6. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2017 (2016: HK\$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed on 19 May 2017 and approved by the Registrar of companies in the Cayman Islands, the name of the Company was changed from Sunrise (China) Technology Group Limited (中昱科技集團有限公司) to KOALA Financial Group Limited (樹熊金融集團有限公司).

BUSINESS REVIEW

During the period, the Group's business was organised in seven operation's segments namely (i) Securities brokerage; (ii) Money lending; (iii) Securities investment; (iv) Manufacture and sales of LED digital display products; (v) Investment in property; (vi) Trading of commodities and (vii) Trading of garments accessories.

Securities Brokerage

On 21 November 2016, the Group completed the acquisition of 80% equity interest in Koala Securities Limited ("Koala Securities"). As at 30 September 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\$6.1 million. It accounted for approximately 65.3% 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\$2.7 million from granting loans to both corporate and individual clients. It accounted for approximately 29.2% of the Group's revenue during the period. The outstanding principal amount of loan receivables as at 30 September 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 30 September 2017, the Group managed a portfolio of listed equity investment with fair value of approximately HK\$28.3 million (31 December 2016: HK\$26.1 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\$3.0 million (2016: loss of HK\$2.6 million) and a realised gain of approximately HK\$4.1 million (2016: loss of HK\$13.2 million).

Manufacture and Sales of LED Digital display products

In the third quarter of 2015, the Group established Dongguan Guss Optoelectronics Co., Ltd. to engage in manufacture and sales of LED digital display products. The operation has been suspended since the second quarter of this year, as a small-scaled fire accident took place at the factory, which led to some of the inventories and the production facilities have been damaged. The Board is monitoring the event closely and expected that it will not cause material adverse impact on the financial position of the Group.

During the period, the revenue was approximately HK\$0.1 million (2016: HK\$10.1 million). It accounted for approximately 1.2% of the Group's revenue during the period.

Investment in property

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

During the period, the revenue was approximately HK\$0.4 million. It accounted for approximately 4.3% of the Group's revenue during the period.

Trading of Garment Accessories

This operation commenced in the first quarter of 2015. In view of the market downturn, cutting prices by the competitors led to the operation's suspension from the second quarters of 2016.

Trading of commodities

The Board considered that the profit margin of trading of commodities was thin and fluctuated. The operation has been halted from the first quarters of 2016.

FINANCIAL REVIEW

For the nine months ended 30 September 2017, the revenue of the Group decreased to approximately HK\$9.4 million (2016: HK\$59.5 million), representing a decrease of approximately 84.2% when compared with that of 2016. The decrease in revenue was mainly attributable to the operation's suspension on the trading of commodities business and trading of garment accessories business.

The Group recorded a net loss of approximately HK\$17.0 million for the current period, compared with a net loss of approximately HK\$31.8 million for the same period of last year. The decrease in the net loss was mainly attributable to the realised gain and the unrealised gain of the Group's held-for-trading investments recorded during the period.

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.

LEGAL PROCEEDING

Reference is made to the Company's announcement dated 25 July 2014 in relation to the 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.

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 September 2017.

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

As at 30 September 2017, 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	204,351,472	326,315,790 (Note 1)	530,667,262	21.60%
Like Capital Limited (Note 2)	Beneficial owner	377,894,735	—	377,894,735	15.38%
Mr. Chan Kin Kee	Beneficial owner	273,000,000	—	273,000,000	11.11%

Notes:

- These shares may be allotted and issued upon exercise of the conversion rights attaching to the convertible bonds issued by the Company, provided that:
 - any conversion of the convertible bonds will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the bondholder and any parties acting in concert with it (as defined in the Takeovers Code); and
 - 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.
- The entire issued share capital of Like Capital Limited is wholly and beneficially owned by Capital VC Limited through Ethnocentric Investment Limited.

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 September 2017.

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. As at 30 September 2017, the Company had 21,200,000 (31 December 2016: 21,200,000) share options outstanding under the 2002 Share Option Scheme, which represented approximately 0.9% (31 December 2016: 1.3%) of its issued share capital on that date. No share option was granted under the New Share Option Scheme.

The following table discloses movements in the Company’s share options during the period:

Name or category of participant	Exercisable period	Exercise price per share of the Company HK\$	Outstanding at 1 January 2017	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 September 2017
Others In aggregate	25 November 2010 to 24 November 2020	0.666	21,200,000	—	—	—	21,200,000

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

Except the issue of 819,014,723 offer shares at a price of HK\$0.14 per share on 20 February 2017, giving rise to a net proceeds of approximately HK\$109.3 million, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the nine months ended 30 September 2017.

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 nine months ended 30 September 2017 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 November 2017

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.