



**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 2021**

## 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 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 2021, 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 2021

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	3	7,739	5,585	17,046	18,609
Cost of services		(277)	(416)	(1,050)	(1,186)
Gross profit		7,462	5,169	15,996	17,423
Realised (loss)/gain on sale of listed securities		(187)	2,709	11,083	7,938
Unrealised gain/(loss) on listed securities		15,305	(630)	99,430	(8,682)
Other income, gains and losses		17	422	92	659
Selling and distribution expenses		-	-	(450)	(450)
Administrative expenses		(3,884)	(3,616)	(10,890)	(10,671)
Finance costs		(224)	(501)	(718)	(1,088)
Profit before tax		18,489	3,553	114,543	5,129
Income tax expense	4	(3,051)	(633)	(18,737)	(920)
<b>Profit and total comprehensive income for the period</b>		<b>15,438</b>	<b>2,920</b>	<b>95,806</b>	<b>4,209</b>
<b>Profit/(loss) and total comprehensive income/(expense) for the period attributable to:</b>					
Owners of the Company		14,612	3,035	94,753	3,732
Non-controlling interests		826	(115)	1,053	477
		15,438	2,920	95,806	4,209
<b>Earnings per share – Basic and diluted</b>	5	<b>2021 HK cents</b>	<b>2020 HK cents (revised)</b>	<b>2021 HK cents</b>	<b>2020 HK cents (revised)</b>
		10.50	2.18	68.09	2.68

## Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the nine months ended 30 September 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	-	-	-	-	3,732	3,732	477	4,209	
At 30 September 2020	27,833	653,399	-	7,410	(425,325)	263,317	8,519	271,836	
At 1 January 2021	<b>27,833</b>	<b>653,399</b>	-	-	<b>(417,383)</b>	<b>263,849</b>	<b>8,779</b>	<b>272,628</b>	
Total comprehensive income for the period	-	-	-	-	<b>94,753</b>	<b>94,753</b>	<b>1,053</b>	<b>95,806</b>	
Acquisition of non-controlling interest (note)	-	-	<b>(2,490)</b>	-	-	<b>(2,490)</b>	<b>2,044</b>	<b>(446)</b>	
At 30 September 2021	<b>27,833</b>	<b>653,399</b>	<b>(2,490)</b>	-	<b>(322,630)</b>	<b>356,112</b>	<b>11,876</b>	<b>367,988</b>	

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.

# Notes to Condensed Consolidated Financial Statements

For the nine months ended 30 September 2021

## 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 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 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 and accounting principles generally accepted in Hong Kong. In addition, the condensed consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by 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 and services.

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. REVENUE

Revenue, which is also the Group's turnover, represents the aggregate of income from provision of securities placing and brokerage services, interest income from loans receivable and rental income from leasing of investment properties, analysed as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
<b>Revenue</b>				
Provision of securities placing and brokerage services	<b>5,896</b>	2,259	<b>11,443</b>	9,419
Interest income from loans receivable	<b>1,717</b>	3,171	<b>5,322</b>	8,726
Rental income from leasing of investment properties	<b>126</b>	155	<b>281</b>	464
Total revenue	<b>7,739</b>	5,585	<b>17,046</b>	18,609

### 4. 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 nine months ended 30 September 2021 and 30 September 2020, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime.

## 5. 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 September		For the nine months ended 30 September	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
<b>Earnings</b>				
Earnings for the purposes of basic and diluted earnings per share	14,612	3,035	94,753	3,732
	Number of shares '000	Number of shares '000 (revised)	Number of shares '000	Number of shares '000 (revised)
<b>Number of shares</b>				
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 nine months ended 30 September 2020.

Diluted earnings per share are the same as basic earnings per share as there were no potential ordinary shares in issue during the years 2020 and 2021.

## 6. DIVIDENDS

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

# 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 Securities and Futures Ordinance ("**SFO**"). KOALA Securities possesses the right to be eligible to trade on or through the Stock Exchange and is a participant of the Hong Kong Securities Clearing Company Limited.

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\$11.4 million, representing an increase of approximately HK\$2.0 million as compared to approximately HK\$9.4 million in the corresponding period of 2020. It accounted for approximately 67.1% (2020: 50.6%) 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\$5.3 million (2020: HK\$8.7 million) from granting loans to both corporate and individual clients. It accounted for approximately 31.2% (2020: 46.9%) of the Group's revenue during the period. The principal amount of loans and interests receivable as at 30 September 2021 was HK\$38.3 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\$96.0 million as at 30 September 2021.

As at 30 September 2021, the Group managed a portfolio of listed equity investment with fair value of approximately HK\$128.2 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\$99.4 million (2020: loss of approximately HK\$8.7 million) and a realised gain of approximately HK\$11.1 million (2020: gain of approximately HK\$7.9 million).

## 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\$0.5 million). It accounted for approximately 1.6% (2020: 2.5%) of the Group's revenue during the period.

## FINANCIAL REVIEW

For the nine months ended 30 September 2021, the revenue of the Group decreased to approximately HK\$17.0 million (2020: HK\$18.6 million), representing a decrease of approximately 9.2% 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 the increase in credit risk on the money lending business.

For the nine months ended 30 September 2021, the Group recorded a realised gain on sale of listed securities of approximately HK\$11.1 million as compared to the gain of approximately HK\$7.9 million for the same corresponding period in 2020.

For the nine months ended 30 September 2021, the Group recorded an unrealised gain on listed securities of approximately HK\$99.4 million as compared to the loss of approximately HK\$8.7 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\$96.0 million. Provision for taxation of approximately HK\$16.4 million on such gain was made during the period.

Due to the above reasons, the Group recorded a net profit of approximately HK\$95.8 million for the nine months ended 30 September 2021, representing an increase as compared with a net profit of approximately HK\$4.2 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.

## 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 2021.

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

As at 30 September 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 September 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 30 September 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 nine months ended 30 September 2021.

## 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 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, 12 November 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".*