



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 2018



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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 2018, 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 2018

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue		7,050	1,926	22,484	5,817
Cost of sales and services		(547)	(690)	(1,379)	(1,596)
Gross profit		6,503	1,236	21,105	4,221
Other income and gains		306	14,006	5,537	11,956
Selling and distribution expenses		—	—	(35)	(596)
Administrative expenses		(5,731)	(8,805)	(11,191)	(17,394)
Other operating expenses		(2,782)	(2,107)	—	(8,990)
Finance costs	4	(1,193)	(1,554)	(2,863)	(2,990)
(Loss)/profit before taxation	5	(2,897)	2,776	12,553	(13,793)
Taxation credit/(charge)	6	479	(228)	(2,070)	(228)
(Loss)/profit for the period		(2,418)	2,548	10,483	(14,021)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		72	41	19	73
Other comprehensive income for the period		72	41	19	73
Total comprehensive (expense)/income for the period		(2,346)	2,589	10,502	(13,948)

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
(Loss)/profit for the period attributable to:					
Owners of the Company		(1,888)	3,620	9,447	(12,493)
Non-controlling interests		(530)	(1,072)	1,036	(1,528)
		(2,418)	2,548	10,483	(14,021)
Total comprehensive (expense)/income for the period attributable to:					
Owners of the Company		(1,851)	3,641	9,457	(12,456)
Non-controlling interests		(495)	(1,052)	1,045	(1,492)
		(2,346)	2,589	10,502	(13,948)
(Loss)/earnings per share					
— Basic (in cents)	7	(0.07)	0.15	0.38	(0.56)
— Diluted (in cents)		N/A	0.18	0.38	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2018

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	Notes	As at	
		30 June 2018 HK\$'000	31 December 2017 HK\$'000
Non-current assets			
Property, plant and equipment		4,184	4,368
Investment properties		17,300	17,300
Goodwill		18,302	18,302
Other intangible assets		20,000	20,000
Loans receivable		10,000	10,300
		69,786	70,270
Current assets			
Accounts receivable	9	41,349	43,986
Loans receivable		42,200	45,230
Prepayments, deposits and other receivables		2,450	2,563
Amount due from non-controlling interests		245	245
Financial assets at fair value through profit or loss		36,301	12,226
Bank balances — trust accounts		104,862	191,648
Bank balances and cash — general accounts		154,037	133,154
		381,444	429,052
Current liabilities			
Accounts payable	10	159,719	222,274
Other payables and accruals		8,317	9,292
Deposits received		135	135
Amount due to non-controlling interests		10,400	10,400
Convertible bonds payable		—	28,795
Other borrowings		1,000	1,000
Income tax payable		9,625	7,553
		189,196	279,449

	Notes	As at	
		30 June 2018 HK\$'000	31 December 2017 HK\$'000
Net current assets		192,248	149,603
Total assets less current liabilities		262,034	219,873
Non-current liabilities			
Corporate bonds payable		15,674	15,209
Deferred tax liabilities		3,474	3,474
		19,148	18,683
Net assets		242,886	201,190
Capital and reserves			
Share capital	11	27,833	24,570
Reserves		220,246	182,858
Equity attributable to owners of the Company		248,079	207,428
Non-controlling interests		(5,193)	(6,238)
Total equity		242,886	201,190

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2018

	Attributable to owners of the Company								
	Share	Share	Convertible	Share	Exchange	Accumulated	Non-		
	capital	premium	bonds	option	fluctuation	losses	Total	controlling	Total
	equity	account	reserve	reserve	reserve	reserve	equity	interests	equity
	HK\$'000	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	—	—	—	—	37	(12,493)	(12,456)	(1,492)	(13,948)
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 June 2017	24,570	551,382	74,286	7,410	(274)	(452,480)	204,894	(3,211)	201,683
At 1 January 2018	24,570	551,182	74,286	7,410	(292)	(449,728)	207,428	(6,238)	201,190
Total comprehensive income for the period	—	—	—	—	10	9,447	9,457	1,045	10,502
Issue of shares upon conversion of convertible bonds	3,263	102,217	(74,286)	—	—	—	31,194	—	31,194
At 30 June 2018	27,833	653,399	—	7,410	(282)	(440,281)	248,079	(5,193)	242,886

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Net cash generated from operating activities	50,153	7,376
Net cash used in investing activities	(29,289)	(42,091)
Net cash generated from financing activities	—	118,804
Net increase in cash and cash equivalents	20,864	84,089
Cash and cash equivalents at beginning of the period	133,154	22,986
Effect of exchange rate changes	19	(71)
Cash and cash equivalents at end of the period	154,037	107,004
Analysis of cash and cash equivalents at end of the period: Bank balances and cash — general accounts	154,037	107,004

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 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 Company is principally engaged in investment holding. The principal activities of the Company's principal subsidiaries are set out as follow:

- Securities investment
- Manufacture and sales of LED digital display products
- Provision of securities placing and brokerage services
- Money lending business
- 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 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 2017.

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	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Securities investment	—	—	4,733	2,297
Trading of commodities	—	—	—	—
Trading of garment accessories	—	—	—	(59)
Manufacture and sales of LED digital display products	—	114	—	(1,516)
Provision of securities placing and brokerage services	15,384	4,283	14,005	(3,358)
Leasing of investment properties	270	270	240	244
Money lending business	6,830	1,150	6,819	1,147
	22,484	5,817	25,797	(1,245)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (2017: Nil).

	For the six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Segment profit/(loss) reported above	25,797	(1,245)
Interest income	639	484
Corporate and other unallocated expenses	(11,020)	(10,042)
Finance costs	(2,863)	(2,990)
Profit/(loss) before taxation	12,553	(13,793)
Taxation charge	(2,070)	(228)
Profit/(loss) for the period	10,483	(14,021)

Segment assets and liabilities

	As at	
	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Segment assets		
Securities investment	36,301	12,103
Trading of commodities	—	—
Trading of garment accessories	5	11
Manufacture and sales of LED digital display products	392	452
Provision of securities placing and brokerage services	269,485	322,886
Leasing of investment properties	17,354	17,304
Money lending business	53,836	58,225
Total segment assets	377,373	410,981
Corporate and other unallocated assets	73,857	88,341
Total assets	451,230	499,322

	As at	
	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Segment liabilities		
Securities investment	—	—
Trading of commodities	—	—
Trading of garment accessories	8,379	8,379
Manufacture and sales of LED digital display products	1,816	1,816
Provision of securities placing and brokerage services	164,573	227,135
Leasing of investment properties	180	180
Money lending business	—	—
Total segment liabilities	174,948	237,510
Corporate and other unallocated liabilities	33,396	60,622
Total liabilities	208,344	298,132

4. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Interest on:				
— Corporate bonds payable	233	220	464	438
— Other borrowings	—	102	—	102
— Convertible bonds payable	960	1,232	2,399	2,450
	1,193	1,554	2,863	2,990

5. (LOSS)/PROFIT BEFORE TAXATION

The Group's (loss)/profit before taxation is arrived at after charging/(crediting):

	For the three months ended 30 June		For the six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Exchange loss/(gain), net	2	(3)	(12)	(3)
Impairment loss on other receivables	—	—	—	325
Net realised loss/(gain) on sale of listed securities	90	(13,785)	(1,350)	(10,750)
Net unrealised loss/(gain) on listed securities	2,668	2,105	(3,383)	8,663
Rental income	—	(86)	—	(172)
Depreciation of property, plant and equipment	481	616	857	1,286
Rental charges on land and buildings under operating leases	589	1,055	1,180	2,093

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6. TAXATION CREDIT/(CHARGE)

	For the three months ended 30 June		For the six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Current tax				
Hong Kong Profit Tax	479	(228)	(2,070)	(228)

Hong Kong Profit Tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profits for the period.

7. (LOSS)/EARNINGS PER SHARE

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

	For the three months ended 30 June		For the six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
(Loss)/earnings (Loss)/earnings for the purposes of basic (loss)/earnings per share	(1,888)	3,620	9,447	(12,493)
Effect of dilutive potential ordinary shares: Interest on convertible bonds	—	1,232	—	2,450
Earnings for the purposes of diluted earnings per share	N/A	4,852	9,447	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)/earnings per share	2,568,207	2,457,044	2,512,932	2,221,747
Effect of dilutive potential ordinary shares: Convertible bonds	—	182,887	—	155,661
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,568,207	2,639,931	2,512,932	2,377,408

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.

8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: Nil).

9. ACCOUNTS RECEIVABLE

	As at	
	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Trade receivables	107	5,319
Less: Impairment loss recognised	—	(5,210)
	107	109
Accounts receivable from the business of securities brokerage: Clearing house, brokers and cash clients	41,242	43,877
	41,349	43,986

The aging analysis of accounts receivables, net of impairment, prepared based on delivery date is as follows:

	As at	
	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Within 90 days	—	—
91–180 days	—	—
181–365 days	—	16
More than 365 days	107	93
	107	109

The settlement terms of accounts receivable 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 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.

10. ACCOUNTS PAYABLE

	As at	
	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Trade payables		
Accounts payable from the business of securities brokerage:		
Clearing house, brokers and cash clients	5,804	5,805
	153,915	216,469
	159,719	222,274

In general, the credit terms granted by suppliers ranged from 30 to 180 days. An aging analysis of the Group's trade payables is as follows:

	As at	
	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Within 30 days	—	—
31–90 days	—	—
91–180 days	—	—
181–365 days	—	6
More than 365 days	5,804	5,799
	5,804	5,805

The settlement terms of accounts payable arising 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

	As at		As at	
	30 June 2018 '000	31 December 2017 '000	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Authorised: Ordinary shares of HK\$0.01 each	20,000,000	20,000,000	200,000	200,000
Issued and fully paid: Ordinary shares of HK\$0.01 each	2,783,360	2,457,044	27,834	24,570

12. CAPITAL COMMITMENTS

As at 31 December 2017 and 30 June 2018, the Group did not have any significant capital commitments.

13. RELATED PARTY TRANSACTIONS

For the six months ended 30 June 2018, 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 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 30 June 2018, 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\$15.4 million (2017: HK\$4.3 million). It accounted for approximately 68.4% 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\$6.8 million (2017: HK\$1.2 million) from granting loans to both corporate and individual clients. It accounted for approximately 30.4% of the Group's revenue during the period. The outstanding principal amount of loan receivables as at 30 June 2018 was HK\$50.8 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 June 2018, the Group managed a portfolio of listed equity investment with fair value of approximately HK\$36.3 million (31 December 2017: approximately HK\$12.2 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\$3.4 million (2017: loss of approximately HK\$8.7 million) and a realised gain of approximately HK\$1.4 million (2017: gain of approximately HK\$10.8 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\$0.3 million (2017: HK\$0.3 million). It accounted for approximately 1.2% 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 30 June 2018, the assets under management was nil.

FINANCIAL REVIEW

For the six months ended 30 June 2018, the revenue of the Group increased to approximately HK\$22.5 million (2017: HK\$5.8 million), representing an increase of approximately 3 times 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\$11.1 million.

The Group recorded a net profit of approximately HK\$12.6 million for this period, compared with a net loss of approximately HK\$13.8 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\$3.4 million recognised in this 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the six months ended 30 June 2018, the Group's major business operations took place in Hong Kong, financed mainly by the revenue generated from operating activities, corporate borrowings and issuance of new shares. As at 30 June 2018, the Group had cash and bank balances of approximately HK\$154.0 million (31 December 2017: HK\$133.2 million).

As at 30 June 2018, the Group's total indebtedness comprised of corporate bonds of approximately HK\$15.7 million (31 December 2017: HK\$15.2 million) and other borrowings of approximately HK\$1.0 million (31 December 2017: HK\$1.0 million).

As at 30 June 2018, the Group's outstanding number of issued shares of HK\$0.01 each was 2,783,359,958 shares (31 December 2017: 2,457,044,169 shares).

The Group's gearing ratio, as a percentage of total indebtedness over total indebtedness and total equity, as at 30 June 2018 was 6.4% (31 December 2017: 18.3%).

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the sections headed “Business Review” and “Looking Ahead”, during the six months ended 30 June 2018, 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 2018, the Group held approximately HK\$36.3 million (31 December 2017: HK\$12.2 million) of equity investments which were classified as held for trading. Details of the significant investments are as follows:

	Place of incorporation	Fair Value Gain/ (Loss) HK\$	Market Value HK\$	Approximate percentage of held-for- trading investment %	Approximate percentage to the net asset %
EJE (Hong Kong) Holdings Limited	Cayman Islands	3,933,775	7,045,220	19.4	2.9
Larry Jewelry International Company Limited	Bermuda	(3,298,729)	3,544,500	9.8	1.5
Pantronics Holdings Limited	British Virgin Islands	2,453,272	8,688,960	23.9	3.6
Shun Wo Group Holdings Limited	Cayman Islands	1,800,000	7,100,000	19.6	2.9
Wang Yang Holdings Limited	Cayman Island	(335,822)	4,167,960	11.4	1.7
Others	N/A	(1,169,076)	5,754,280	15.9	2.3
		3,383,420	36,300,920	100.00	14.9

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 2018, the Group had about 29 (2017: 28) employees. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits scheme contribution amounted to approximately HK\$5.5 million (2017: HK\$8.6 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 2017 and 30 June 2018, the Group did not have any substantial pledge of assets.

CONTINGENT LIABILITIES

Except as disclosed in the section headed "Legal Proceedings", as at 31 December 2017 and 30 June 2018, the Group did not have any material contingent liabilities.

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 million 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 million plus the accrued unpaid interest under the Loan Agreement and other interest.

Subsequent to the period under review, a consent order dated 12 July 2018 was duly signed by the Plaintiff and the Company and filed to High Court Registry. According to the consent order, the Plaintiff agreed to discontinue all proceedings in the action against the Company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

During the period under review, the Group's transactions were mainly denominated in Hong Kong dollars which was not materially exposed the Group to currency risk. The Group currently does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

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 2018.

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

As at 30 June 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	Total	Percentage of issued share capital of the Company
Ms. Wong Ka Man	Beneficial owner	530,667,261	—	530,667,261	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 2018.

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 June 2018, the Company had 21,200,000 (31 December 2017: 21,200,000) share options outstanding under the 2002 Share Option Scheme, which represented approximately 0.8% (31 December 2017: 0.9%) 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 2018	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2018
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

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 2018.

CORPORATE GOVERNANCE PRACTICES AND PROCEDURES

The Company has complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2018.

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 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, 14 August 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.