



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 RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 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 announcement, 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 announcement 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 announcement 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 2017, 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 2017

	<i>Notes</i>	For the three months ended 30 June		For the six months ended 30 June	
		2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue		1,926	26,902	5,817	58,401
Cost of sales and services		<u>(690)</u>	<u>(23,136)</u>	<u>(1,596)</u>	<u>(54,402)</u>
Gross profit		1,236	3,766	4,221	3,999
Other income and gains		14,006	1,627	11,956	12,892
Selling and distribution expenses		231	(50)	(596)	(77)
Administrative expenses		(9,036)	(8,371)	(17,394)	(15,454)
Other operating expenses		(2,107)	—	(8,990)	(17,534)
Finance costs	4	(1,554)	(1,944)	(2,990)	(3,890)
Share of loss of associates		<u>—</u>	<u>(29)</u>	<u>—</u>	<u>(70)</u>
Profit/(loss) before taxation	5	2,776	(5,001)	(13,793)	(20,134)
Taxation charge	6	<u>(228)</u>	<u>—</u>	<u>(228)</u>	<u>—</u>
Profit/(loss) for the period		2,548	(5,001)	(14,021)	(20,134)
Other comprehensive income/(expense)					
Exchange differences on translating foreign operations		<u>41</u>	<u>(184)</u>	<u>73</u>	<u>(130)</u>
Other comprehensive income/(expense) for the period		<u>41</u>	<u>(184)</u>	<u>73</u>	<u>(130)</u>
Total comprehensive income/(expense) for the period		<u>2,589</u>	<u>(5,185)</u>	<u>(13,948)</u>	<u>(20,264)</u>

<i>Notes</i>	For the three months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>

**Profit/(loss) for the period
attributable to:**

Owners of the Company	3,620	(4,576)	(12,493)	(19,255)
Non-controlling interests	<u>(1,072)</u>	<u>(425)</u>	<u>(1,528)</u>	<u>(879)</u>
	<u>2,548</u>	<u>(5,001)</u>	<u>(14,021)</u>	<u>(20,134)</u>

**Total comprehensive income/
(expense) for the period
attributable to:**

Owners of the Company	3,641	(4,670)	(12,456)	(19,321)
Non-controlling interests	<u>(1,052)</u>	<u>(515)</u>	<u>(1,492)</u>	<u>(943)</u>
	<u>2,589</u>	<u>(5,185)</u>	<u>(13,948)</u>	<u>(20,264)</u>

Earnings/(loss) per share

— Basic (<i>in cents</i>)	7	<u>0.15</u>	<u>(0.39)</u>	<u>(0.56)</u>	<u>(1.68)</u>
— Diluted (<i>in cents</i>)		<u>0.18</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Condensed Consolidated Statement of Financial Position (Unaudited)

As at 30 June 2017

		As at	
		30 June	31 December
		2017	2016
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		10,078	11,221
Investment properties		16,352	16,352
Goodwill		18,302	18,302
Other intangible assets		<u>20,000</u>	<u>20,000</u>
		<u>64,732</u>	<u>65,875</u>
Current assets			
Inventories		—	693
Accounts receivable	9	42,792	54,847
Loans receivable		45,263	10,292
Prepayments, deposits and other receivables		2,940	6,681
Financial assets at fair value through profit or loss		36,103	26,145
Bank balances and cash — trust accounts		117,572	43,267
Bank balances and cash — general accounts		<u>107,004</u>	<u>22,986</u>
		<u>351,674</u>	<u>164,911</u>
Current liabilities			
Accounts payable	10	139,608	63,248
Other payables and accruals		9,427	8,240
Deposits received		135	135
Other borrowings		1,000	1,000
Amount due to non-controlling interests		10,400	840
Income tax payable		<u>8,821</u>	<u>8,592</u>
		<u>169,391</u>	<u>82,055</u>
Net current assets		<u>182,283</u>	<u>82,856</u>
Total assets less current liabilities		<u>247,015</u>	<u>148,731</u>

		As at	
		30 June	31 December
		2017	2016
	Notes	HK\$'000	HK\$'000
Non-current liabilities			
Corporate bonds payable		14,750	14,312
Convertible bonds payable		26,817	24,369
Deferred tax liabilities		<u>3,765</u>	<u>3,765</u>
		<u>45,332</u>	<u>42,446</u>
Net assets		<u>201,683</u>	<u>106,285</u>
Capital and reserves			
Share capital	11	24,570	16,380
Reserves		<u>180,324</u>	<u>91,624</u>
Equity attributable to owners of the Company		204,894	108,004
Non-controlling interests		<u>(3,211)</u>	<u>(1,719)</u>
Total equity		<u>201,683</u>	<u>106,285</u>

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2017

	Attributable to owners of the Company								
	Share capital	Share premium account	Convertible bonds reserve	Share option reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total 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	—	—	—	—	(66)	(19,255)	(19,321)	(943)	(20,264)
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 June 2016	<u>13,650</u>	<u>411,460</u>	<u>74,286</u>	<u>7,410</u>	<u>(231)</u>	<u>(421,374)</u>	<u>85,201</u>	<u>(2,756)</u>	<u>82,445</u>
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	<u>24,570</u>	<u>551,382</u>	<u>74,286</u>	<u>7,410</u>	<u>(274)</u>	<u>(452,480)</u>	<u>204,894</u>	<u>(3,211)</u>	<u>201,683</u>

Condensed Consolidated Statement of Cash Flows (Unaudited)*For the six months ended 30 June 2017*

	For the six months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from/(used in) operating activities	7,376	(12,770)
Net cash (used in)/generated from investing activities	(42,091)	30,088
Net cash generated from financing activities	<u>118,804</u>	<u>30,544</u>
Net increase in cash and cash equivalents	84,089	47,862
Cash and cash equivalents at beginning of the period	22,986	6,402
Effect of exchange rate changes	<u>(71)</u>	<u>(140)</u>
Cash and cash equivalents at end of the period	<u><u>107,004</u></u>	<u><u>54,124</u></u>
Analysis of cash and cash equivalents at end of the period:		
Bank balances and cash — general accounts	<u><u>107,004</u></u>	<u><u>54,124</u></u>

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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
- 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 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 2016.

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 interest income, gain on disposal of subsidiaries, 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		Segment profit/(loss)	
	For the six months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Securities investment	—	—	2,297	(17,534)
Trading of commodities	—	56,363	—	4,001
Trading of garment accessories	—	539	(59)	(587)
Manufacture and sales of LED digital display products	114	1,499	(1,516)	(1,038)
Provision of securities placing and brokerage services	4,283	—	(3,358)	—
Money lending	1,150	—	1,147	—
Leasing of investment properties	270	—	244	—
	<u>5,817</u>	<u>58,401</u>	<u>(1,245)</u>	<u>(15,158)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (2016: Nil).

**For the six months
ended 30 June**

2017 2016
HK\$'000 HK\$'000

Segment loss reported above	(1,245)	(15,158)
Interest income	484	718
Gain on disposal of subsidiaries	—	11,676
Corporate and other unallocated expenses	(10,042)	(13,410)
Finance costs	(2,990)	(3,890)
Share of loss of associates	<u>—</u>	<u>(70)</u>
Loss before taxation	(13,793)	(20,134)
Taxation charge	<u>(228)</u>	<u>—</u>
Loss for the period	<u><u>(14,021)</u></u>	<u><u>(20,134)</u></u>

Segment assets and liabilities

As at
30 June 31 December
2017 2016
HK\$'000 HK\$'000

Segment assets

Securities investment	36,103	26,145
Trading of commodities	10,354	35,354
Trading of garment accessories	945	989
Manufacture and sales of LED digital display products	4,565	6,161
Provision of securities placing and brokerage services	238,806	120,998
Money lending	40,270	—
Leasing of investment properties	<u>16,360</u>	<u>16,356</u>
Total segment assets	347,403	206,003
Corporate and other unallocated assets	<u>69,003</u>	<u>24,783</u>
Total assets	<u><u>416,406</u></u>	<u><u>230,786</u></u>

	As at
30 June	31 December
2017	2016
HK\$'000	HK\$'000

Segment liabilities

Securities investment	—	—
Trading of commodities	—	—
Trading of garment accessories	8,324	8,217
Manufacture and sales of LED digital display products	2,869	3,020
Provision of securities placing and brokerage services	148,029	57,855
Money lending	259	—
Leasing of investment properties	<u>220</u>	<u>135</u>
 Total segment liabilities	 159,701	 69,227
Corporate and other unallocated liabilities	<u>55,022</u>	<u>55,274</u>
 Total liabilities	 <u>214,723</u>	 <u>124,501</u>

4. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on:				
— Corporate bonds payable	220	537	438	1,071
— Other borrowings	102	358	102	733
— Convertible bonds payable	<u>1,232</u>	<u>1,049</u>	<u>2,450</u>	<u>2,086</u>
	<u>1,554</u>	<u>1,944</u>	<u>2,990</u>	<u>3,890</u>

5. PROFIT/(LOSS) BEFORE TAXATION

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

	For the three months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exchange gains, net	(3)	(1)	(3)	(206)
Gain on disposal of subsidiaries	—	—	—	(11,676)
Impairment loss on other receivables	—	—	325	—
Net unrealised loss/(gain) on listed securities held for trading	2,105	(318)	8,663	1,444
Net realised (gain)/loss on sale of listed securities held for trading	(13,785)	(715)	(10,750)	16,090
Rental income	(86)	(54)	(172)	(107)
Depreciation of property, plant and equipment	616	375	1,286	749
Rental charges on land and buildings under operating leases	<u>1,055</u>	<u>808</u>	<u>2,093</u>	<u>1,619</u>

6. TAXATION CHARGE

	For the three months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
Hong Kong Profit Tax	<u>228</u>	<u>—</u>	<u>228</u>	<u>—</u>

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 six months ended 30 June 2016 as the Group did not generate any assessable profits arising in Hong Kong during those periods.

7. 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 June		For the six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings/(loss)				
Earnings/(loss) for the purposes of basic earnings/(loss) per share	3,620	(4,576)	(12,493)	(19,255)
Effect of dilutive potential ordinary shares:				
Interest on convertible bonds	<u>1,232</u>	<u>1,049</u>	<u>2,450</u>	<u>2,086</u>
Earnings for the purposes of diluted earnings per share	<u>4,852</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
	<i>Number of shares '000</i>	<i>Number of shares '000</i>	<i>Number of shares '000</i>	<i>Number of shares '000</i>
Number of shares				
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	2,457,044	1,152,529	2,221,747	1,145,029
Effect of dilutive potential ordinary shares:				
Convertible bonds	<u>182,887</u>	<u>165,694</u>	<u>155,661</u>	<u>182,241</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,639,931</u>	<u>1,318,223</u>	<u>2,377,408</u>	<u>1,327,270</u>

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 2017 (2016: HK\$Nil).

9. ACCOUNTS RECEIVABLE

	As at	
	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Trade receivables	10,104	62,206
Less: Impairment loss recognised	<u>—</u>	<u>(26,573)</u>
	10,104	35,633
Accounts receivable from the business of securities brokerage:		
Clearing house, brokers and cash clients	<u>32,688</u>	<u>19,214</u>
	<u>42,792</u>	<u>54,847</u>

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

	As at	
	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Within 90 days	32,688	19,787
91–180 days	24	—
181–365 days	80	35,060
More than 365 days	<u>10,000</u>	<u>—</u>
	<u>42,792</u>	<u>54,847</u>

10. ACCOUNTS PAYABLE

	As at	
	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Trade payables		
Accounts payable from the business of securities brokerage:	5,801	6,468
Clearing house, brokers and cash clients	<u>133,807</u>	<u>56,780</u>
	<u>139,608</u>	<u>63,248</u>

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	31 December
	2017	2016
	HK\$'000	HK\$'000
Within 30 days	—	166
31–90 days	—	294
91–180 days	12	320
181–365 days	101	—
More than 365 days	<u>5,688</u>	<u>5,688</u>
	<u>5,801</u>	<u>6,468</u>

The settlement terms of accounts payable arising from the business of securities brokerage are two dates after the 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	31 December	30 June	31 December
	2017	2016	2017	2016
	'000	'000	HK\$'000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>20,000,000</u>	<u>20,000,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<u>2,457,044</u>	<u>1,638,029</u>	<u>24,570</u>	<u>16,380</u>

12. CAPITAL COMMITMENTS

As at 31 December 2016 and 30 June 2017, the Group did not have any significant capital commitments.

13. RELATED PARTY TRANSACTIONS

For the six months ended 30 June 2017, the Group did not have any transactions with related parties.

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 June 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\$4.3 million. It accounted for approximately 74% 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\$1.2 million from granting loans to both corporate and individual clients. It accounted for approximately 20% of the Group's revenue during the period. The outstanding principal amount of loan receivables as at 30 June 2017 was approximately HK\$34.5 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 2017, the Group managed a portfolio of listed equity investment with fair value of approximately HK\$36.1 million (31 December 2016: HK\$26.1 million) which are classified as held-for-trading investments. During the period, the Group recorded a loss on fair value change of listed equity investments of approximately HK\$8.7 million (2016: HK\$1.4 million) and a realised gain of approximately HK\$10.8 million (2016: loss of HK\$16.1 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\$1.5 million). It accounted for approximately 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\$0.3 million. It accounted for approximately 5% 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 six months ended 30 June 2017, the revenue of the Group decreased to approximately HK\$5.8 million (2016: HK\$58.4 million), representing a decrease of approximately 90% 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\$13.8 million for the current period, compared with a net loss of approximately HK\$20.1 million for the same period of last year. The decrease in net loss was mainly attributable to the realised 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the six months ended 30 June 2017, the Group's major business operations took place in China and Hong Kong, financed mainly by the revenue generated from operating activities, corporate borrowings and issuance of new shares. As at 30 June 2017, the Group had cash and bank balances of approximately HK\$107.0 million (31 December 2016: HK\$23.0 million).

As at 30 June 2017, the Group's total indebtedness comprised of convertible bonds payable of approximately HK\$26.8 million (31 December 2016: HK\$24.4 million), corporate bonds of approximately HK\$14.8 million (31 December 2016: HK\$14.3 million) and other borrowings of approximately HK\$1.0 million (31 December 2016: HK\$1.0 million).

As at 30 June 2017, the Group's outstanding number of issued shares of HK\$0.01 each was 2,457,044,169 shares (31 December 2016: 1,638,029,446 shares).

The Group's gearing ratio, as a percentage of total indebtedness over total indebtedness and total equity, as at 30 June 2017 was 17.4% (31 December 2016: 23.6%).

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the sections headed "Business Review" and "Looking Ahead", during the six months ended 30 June 2017, 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 2017, the Group held approximately HK\$36.1 million of equity investments which were classified as held for trading. Details of the significant investments are as follows:

	Place of incorporation	Fair Value (Loss)/Gain HK\$	Market Value HK\$	Approximate percentage of held-for-trading investment %	Approximate percentage to the net asset %
Jia Meng Holdings Limited	Cayman Islands	(1,509,345)	5,839,416	16.17	2.90
LEAP Holdings Group Limited	Cayman Islands	1,329,210	16,028,250	44.40	7.95
Pantronics Holdings Limited	British Virgin Islands	(490,758)	4,797,120	13.29	2.38
Shun Wo Group Holdings Limited	Cayman Islands	(322,980)	5,057,300	14.01	2.51
Others	N/A	<u>(7,669,214)</u>	<u>4,381,313</u>	<u>12.13</u>	<u>2.17</u>
		<u>(8,663,087)</u>	<u>36,103,399</u>	<u>100.00</u>	<u>17.91</u>

In view of the recent volatile and weakness 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 2017, the Group had about 28 (2016: 48) employees. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits scheme contribution amounted to approximately HK\$8.6 million (2016: HK\$4.9 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 2016 and 30 June 2017, 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 2016 and 30 June 2017, 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.

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.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

During the period under review, the Group's transactions were mainly denominated in Renminbi and Hong Kong dollars which 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 2017.

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

As at 30 June 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	457,894,735	—	457,894,735	18.64%
Mr. Chan Kin Kee	Beneficial owner	273,000,000	—	273,000,000	11.11%

Notes:

- 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:
 - 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
 - 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 June 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 June 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 June 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 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 2017.

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 2017.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in information of Directors subsequent to the date of the annual report of the Company for the year ended 31 December 2016 are set out below:

Mr. Hung Cho Sing (“**Mr. Hung**”), an independent non-executive Director, has been appointed as an independent non-executive director of Enerchina Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 622), with effect from 6 April 2017.

Mr. Ong King Keung (“**Mr. Ong**”), an independent non-executive Director, has been appointed as an independent non-executive director of Risecomm Group Holdings Limited (stock code: 1679), with effect from May of 2017 and Tech Pro Technology Development Limited (stock code: 3823), with effect from 8 March 2017. Both the companies are listed on the Main Board of the Stock Exchange.

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 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, 11 August 2017

As at the date of this announcement, 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. Ong King Keung, being the independent non-executive Directors.

This announcement will remain on the “Latest Company Announcements” 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”.