# 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)**

## FINAL RESULTS ANNOUNCEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2017

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "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 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.**



*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 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 audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2017, together with the comparative figures as follows:

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**
*For the year ended 31 December 2017*

| | *Notes* | **2017** **_HK$'000_** | 2016 *HK$'000* |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | *4* | **15,960** | 63,906 |
| Cost of sales and services | | **(3,059)** | (57,691) |
| Gross profit | | **12,901** | 6,215 |
| Other income and gains | *4* | **11,861** | 4,179 |
| Gain on change in fair value of investment properties | | **948** | — |
| Gain on change in fair value of unlisted warrants | | **—** | 13,481 |
| Selling and distribution expenses | | **(818)** | (219) |
| Administrative expenses | | **(29,022)** | (31,030) |
| Other operating expenses | *5* | **(5,256)** | (42,315) |
| Finance costs | *6* | **(6,467)** | (7,100) |
| Share of loss of associates | | **—** | (91) |
| Loss before taxation | *7* | **(15,853)** | (56,880) |
| Taxation credit | *8* | **1,330** | 875 |
| Loss for the year from continuing operations | | **(14,523)** | (56,005) |
| **Discontinued operations** | | | |
| Loss for the year from discontinued operations | *9* | **—** | (22,354) |
| **Loss for the year** | | **(14,523)** | (78,359) |
| Other comprehensive income/(expense) | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Exchange differences on translating foreign operations | | | |
| Exchange difference arising during the year | | **37** | (286) |
| Reclassification adjustments relating to foreign operations disposed of during the year | | **—** | (1,288) |
| Other comprehensive income/(expense) for the year | | **37** | (1,574) |
| **Total comprehensive expense for the year** | | **(14,486)** | (79,933) |

| | Notes | **2017** **HK$'000** | 2016 HK$'000 |
|---|---|---|---|
| **Loss for the year from continuing operations attributable to:** | | | |
| Owners of the Company | | **(9,741)** | (49,543) |
| Non-controlling interests | | **(4,782)** | (6,462) |
| | | **(14,523)** | (56,005) |
| **Loss for the year from continuing and discontinued operations attributable to:** | | | |
| Owners of the Company | | **(9,741)** | (71,897) |
| Non-controlling interests | | **(4,782)** | (6,462) |
| | | **(14,523)** | (78,359) |
| **Total comprehensive expense for the year attributable to:** | | | |
| Owners of the Company | | **(9,722)** | (73,331) |
| Non-controlling interests | | **(4,764)** | (6,602) |
| | | **(14,486)** | (79,933) |
| **Loss per share** | *10* | | |
| From continuing operations | | | |
| Basic | | **HK$(0.42) cents** | HK(3.85) cents |
| Diluted | | **N/A** | N/A |
| From continuing and discontinued operations | | | |
| Basic | | **HK$(0.42) cents** | HK(5.58) cents |
| Diluted | | **N/A** | N/A |

**Consolidated Statement of Financial Position**

*As at 31 December 2017*

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **4,368** | 11,221 |
| Investment properties | | **17,300** | 16,352 |
| Goodwill | | **18,302** | 18,302 |
| Other intangible assets | | **20,000** | 20,000 |
| Loans receivable | | **10,300** | — |
| | | **70,270** | 65,875 |
| **Current assets** | | | |
| Inventories | | **—** | 693 |
| Accounts receivable | *12* | **43,986** | 54,847 |
| Loans receivable | | **45,230** | 10,292 |
| Prepayments, deposits and other receivables | | **2,563** | 6,681 |
| Amount due from non-controlling interests | | **245** | — |
| Financial assets at fair value through profit or loss | | **12,226** | 26,145 |
| Bank balances — trust accounts | | **191,648** | 43,267 |
| Bank balances and cash — general accounts | | **133,154** | 22,986 |
| | | **429,052** | 164,911 |
| **Current liabilities** | | | |
| Accounts payable | *13* | **222,274** | 63,248 |
| Other payables and accruals | | **9,292** | 8,240 |
| Deposits received | | **135** | 135 |
| Amount due to non-controlling interests | | **10,400** | 840 |
| Convertible bonds payable | | **28,795** | — |
| Other borrowings | | **1,000** | 1,000 |
| Income tax payable | | **7,553** | 8,592 |
| | | **279,449** | 82,055 |
| **Net current assets** | | **149,603** | 82,856 |
| **Total assets less current liabilities** | | **219,873** | 148,731 |

| | 2017 | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Non-current liabilities** | | |
| Corporate bonds payable | **15,209** | 14,312 |
| Convertible bonds payable | **—** | 24,369 |
| Deferred tax liabilities | **3,474** | 3,765 |
| | **18,683** | 42,446 |
| **Net assets** | **201,190** | 106,285 |
| **Capital and reserves** | | |
| Share capital | **24,570** | 16,380 |
| Reserves | **182,858** | 91,624 |
| Equity attributable to owners of the Company | **207,428** | 108,004 |
| Non-controlling interests | **(6,238)** | (1,719) |
| **Total equity** | **201,190** | 106,285 |

*Notes:*

## 1. GENERAL

KOALA Financial Group Limited is a limited liability company incorporated in the Cayman Islands, and the issued shares of the Company are listed on GEM of the Exchange.

The Company changed its name from "Sunrise (China) Technology Group Limited" to "KOALA Financial Group Limited" and adopted "樹熊金融集團有限公司" as the Chinese name of the Company, both of which are effective from 19 May 2017.

The consolidated financial statements are presented in Hong Kong dollar ("**HK$**"), which is the same as the functional currency of the Company.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

**New and revised HKFRSs applied in current year**

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants:

| | |
|---|---|
| Amendments to HKAS 7 | Disclosure Initiative |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |
| Amendments to HKFRS 12 | As part of the Annual Improvements to HKFRSs 2014–2016 Cycle |

The application of these new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and financial position for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

**New and revised HKFRSs in issue but not yet effective**

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 15 | Revenue from Contracts with Customers[1] |
| HKFRS 16 | Leases[2] |
| HKFRS 17 | Insurance Contracts[3] |
| HK(IFRIC)-Int 22 | Foreign Currency Transactions and Advance Consideration[1] |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments[2] |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions[1] |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1] |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures[2] |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1] |
| Amendments to HKAS 40 | Transfers of Investment Property[1] |
| Amendments to HKFRSs | Annual Improvement to HKFRSs 2015–2017 Cycle[2] |

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective date to be determined

## 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into the following reportable operating segments based on their products and services:

Continuing operations:

— Securities investment

— Trading of commodities

— Trading of garment accessories

— Manufacture and sales of LED digital display products

— Provision of securities placing and brokerage services

— Leasing of investment properties

— Money lending business

Discontinued operations:

— Manufacture and sales of straw briquettes

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, loss on disposal of subsidiaries and associates, gain on change in fair value of unlisted warrants, impairment loss on investments in associates, 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.

**(a) Segment revenue and results**

| | **Segment revenue** | | **Segment profit/(loss)** | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Continuing operations | | | | |
| Securities investments | **—** | — | **10,308** | (3,706) |
| Trading of commodities | **—** | 56,363 | **(17)** | (17,363) |
| Trading of garment accessories | **—** | 539 | **(272)** | (9,472) |
| Manufacture and sales of LED digital display products | **117** | 3,551 | **(5,555)** | (4,088) |
| Provision of securities placing and brokerage services | **8,218** | 3,363 | **(6,698)** | 1,365 |
| Leasing of investment properties | **540** | 90 | **1,477** | 63 |
| Money lending business | **7,085** | — | **7,073** | — |
| | **15,960** | 63,906 | **6,316** | (33,201) |
| Discontinued operations | | | | |
| Manufacture and sales of straw briquettes | **—** | — | **—** | — |
| | **15,960** | 63,906 | **6,316** | (33,201) |

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

| | 2017 | 2016 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Segment profit/(loss) reported above | **6,316** | (33,201) |
| Interest income from bank deposits | **834** | 88 |
| Other interest income | **—** | 1,441 |
| Loss on disposal of subsidiaries | **—** | (22,354) |
| Loss on disposal of associates | **—** | (203) |
| Gain on change in fair value of unlisted warrants | **—** | 13,481 |
| Impairment loss on investments in associates | **—** | (2,500) |
| Corporate and other unallocated expenses | **(16,536)** | (28,795) |
| Finance costs | **(6,467)** | (7,100) |
| Share of loss of associates | **—** | (91) |
| Loss before taxation | **(15,853)** | (79,234) |
| Taxation credit | **1,330** | 875 |
| Loss for the year | **(14,523)** | (78,359) |

**(b) Segment assets and liabilities**

| | 2017 | 2016 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Segment assets** | | |
| Continuing operations | | |
| Securities investments | **12,103** | 26,145 |
| Trading of commodities | **—** | 35,354 |
| Trading of garment accessories | **11** | 989 |
| Manufacture and sales of LED digital display products | **452** | 6,161 |
| Provision of securities placing and brokerage services | **322,886** | 120,998 |
| Leasing of investment properties | **17,304** | 16,356 |
| Money lending business | **58,225** | — |
| Total segment assets | **410,981** | 206,003 |
| Corporate and other unallocated assets | **88,341** | 24,783 |
| Total assets | **499,322** | 230,786 |

| | 2017 | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Segment liabilities** | | |
| Continuing operations | | |
| Securities investments | **—** | — |
| Trading of commodities | **—** | — |
| Trading of garment accessories | **8,379** | 8,217 |
| Manufacture and sales of LED digital display products | **1,816** | 3,020 |
| Provision of securities placing and brokerage services | **227,135** | 57,855 |
| Leasing of investment properties | **180** | 135 |
| Money lending business | **—** | — |
| Total segment liabilities | **237,510** | 69,227 |
| Corporate and other unallocated liabilities | **60,622** | 55,274 |
| Total liabilities | **298,132** | 124,501 |

## 4. REVENUE, OTHER INCOME AND GAINS

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

| | **2017** | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Continuing operations** | **Discontinued operations** | **Total** | Continuing operations | Discontinued operations | Total |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* |
| **Revenue** | | | | | | |
| Sales of goods | **117** | **—** | **117** | 60,453 | — | 60,453 |
| Provision of securities placing and brokerage services | **8,218** | **—** | **8,218** | 3,363 | — | 3,363 |
| Rental income from lease of investment properties | **540** | **—** | **540** | 90 | — | 90 |
| Interest income from loans receivable | **7,085** | **—** | **7,085** | — | — | — |
| Total revenue | **15,960** | **—** | **15,960** | 63,906 | — | 63,906 |

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Continuing operations** | **Discontinued operations** | **Total** | Continuing operations | Discontinued operations | Total |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* |
| **Other income and gains** | | | | | | |
| Gain on change in fair value of financial assets at fair value through profit or loss | | | | | | |
| — Net realised gain on sale of listed securities | **10,316** | **—** | **10,316** | — | — | — |
| — Net unrealised gain on listed securities | **—** | **—** | **—** | 1,631 | — | 1,631 |
| | **10,316** | **—** | **10,316** | 1,631 | — | 1,631 |
| Dividend income | **210** | **—** | **210** | — | — | — |
| Exchange gains, net | **8** | **—** | **8** | 211 | — | 211 |
| Interest income from | | | | | | |
| — bank deposits | **834** | **—** | **834** | 88 | — | 88 |
| — loans receivable | **—** | **—** | **—** | 1,441 | — | 1,441 |
| Rental income | **264** | **—** | **264** | 247 | — | 247 |
| Others | **229** | **—** | **229** | 561 | — | 561 |
| Total other income and gains | **11,861** | **—** | **11,861** | 4,179 | — | 4,179 |

## 5. OTHER OPERATING EXPENSES

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Continuing operations** | **Discontinued operations** | **Total** | Continuing operations | Discontinued operations | Total |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* |
| Impairment losses recognised in respect of: | | | | | | |
| — Property, plant and equipment | **4,031** | **—** | **4,031** | 1,905 | — | 1,905 |
| — Investments in associates | **—** | **—** | **—** | 2,500 | — | 2,500 |
| — Inventories | **619** | **—** | **619** | 1,020 | — | 1,020 |
| — Trade receivables | **—** | **—** | **—** | 26,573 | — | 26,573 |
| — Proceeds receivable from disposal of subsidiaries | **—** | **—** | **—** | 4,777 | — | 4,777 |
| — Other receivables | **388** | **—** | **388** | — | — | — |
| Loss on disposal of associates | **—** | **—** | **—** | 203 | — | 203 |
| Loss on change in fair value of financial assets at fair value through profit or loss | | | | | | |
| — Net realised loss on sale of listed securities | **—** | **—** | **—** | 5,337 | — | 5,337 |
| — Net unrealised loss on listed securities | **218** | **—** | **218** | — | — | — |
| | **5,256** | **—** | **5,256** | 42,315 | — | 42,315 |

## 6. FINANCE COSTS

| | **2017** | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Continuing operations** | **Discontinued operations** | **Total** | Continuing operations | Discontinued operations | Total |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* |
| Interest on: | | | | | | |
| — Bank overdraft | **—** | **—** | **—** | 2 | — | 2 |
| — Convertible bonds payable | **5,356** | **—** | **5,356** | 4,725 | — | 4,725 |
| — Corporate bonds payable | **897** | **—** | **897** | 1,530 | — | 1,530 |
| — Other borrowings | **214** | **—** | **214** | 843 | — | 843 |
| | **6,467** | **—** | **6,467** | 7,100 | — | 7,100 |

## 7. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging:

| | **2017** | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Continuing operations** | **Discontinued operations** | **Total** | Continuing operations | Discontinued operations | Total |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* |
| Directors' remuneration | **3,164** | **—** | **3,164** | 3,392 | — | 3,392 |
| Other staff costs (excluding directors' remuneration): | | | | | | |
| Wages, salaries and allowances | **10,393** | **—** | **10,393** | 7,128 | — | 7,128 |
| Contribution to retirement schemes | **351** | **—** | **351** | 156 | — | 156 |
| Total staff costs | **13,908** | **—** | **13,908** | 10,676 | — | 10,676 |
| Auditor's remuneration | | | | | | |
| — audit services | **620** | **—** | **620** | 650 | — | 650 |
| Cost of inventories sold | **115** | **—** | **115** | 57,240 | — | 57,240 |
| Depreciation of property, plant and equipment | **2,409** | **—** | **2,409** | 2,662 | — | 2,662 |
| Loss on disposal of property, plant and equipment | **5** | **—** | **5** | 164 | — | 164 |
| Rental charges on land and buildings under operating leases | **3,739** | **—** | **3,739** | 3,223 | — | 3,223 |

## 8. TAXATION CREDIT/(CHARGE)

| | **2017** | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Continuing operations** | **Discontinued operations** | **Total** | Continuing operations | Discontinued operations | Total |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* |
| Current tax | | | | | | |
| Hong Kong Profits Tax | | | | | | |
| — current year | **(77)** | **—** | **(77)** | (260) | — | (260) |
| — over provision in prior years | **1,116** | **—** | **1,116** | — | — | — |
| | **1,039** | **—** | **1,039** | (260) | — | (260) |
| Deferred tax credit | **291** | **—** | **291** | 1,135 | — | 1,135 |
| Taxation credit for the year | **1,330** | **—** | **1,330** | 875 | — | 875 |

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

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

## 9 DISCONTINUED OPERATIONS

For the year ended 31 December 2016, following the disposal of the Company's subsidiary, Shengyan, the Group discontinued its business of manufacture and sales of straw briquette on 31 March 2016. An analysis of the results attributable to the discontinued operations is as follows:

| | 1.1.2016 to 31.3.2016 |
|---|---|
| | *HK$'000* |
| Loss from the discontinued operations | — |
| Loss on disposal of subsidiaries | (22,354) |
| Loss for the year from discontinued operations | (22,354) |
| Loss for the year from discontinued operations attributable to: | |
| Owners of the Company | (22,354) |
| Non-controlling interests | — |
| Loss for the year from discontinued operations | (22,354) |

## 10. LOSS PER SHARE

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

| | Continuing operations | | Continuing and discontinued operations | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Loss** | | | | |
| Loss for the purpose of basic loss per share | | | | |
| Loss for the year attributable to owners of the Company | **(9,741)** | (49,543) | **(9,741)** | (71,897) |
| Effect of dilutive potential ordinary shares: | | | | |
| Interest on convertible bonds, net of tax effects, if any | **4,472** | 4,725 | **4,472** | 4,725 |
| Loss for the purpose of diluted loss per share | **N/A** | N/A | **N/A** | N/A |

| | **2017** | 2016 |
|---|---|---|
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | **2,345,382** | 1,288,512 |
| Effect of dilutive potential ordinary shares: | | |
| Convertible bonds | **326,316** | 327,089 |
| Weighted average number of ordinary shares for the purpose of diluted loss per share | **2,671,698** | 1,615,601 |

The weighted average number of ordinary shares for both of the years shown above is calculated after taking account of the effect arising from the open offer of shares of the Company made during the current year.

Diluted loss per share for the years ended 31 December 2016 and 31 December 2017 is not presented because the Group sustained a loss for each of these years and the impact of conversion of convertible bonds and exercise of share options and unlisted warrants is regarded as anti-dilutive.

## 11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2017, nor has any dividend been proposed since the end of the reporting date (2016: Nil).

## 12. ACCOUNTS RECEIVABLE

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **26,682** | 62,206 |
| Less: Impairment loss recognised | **(26,573)** | (26,573) |
| | **109** | 35,633 |
| Accounts receivable from the business of securities brokerage: | | |
| Clearing house, brokers and cash clients | **43,877** | 19,214 |
| | **43,986** | 54,847 |

**Trade receivables**

The ageing analysis of trade receivables, net of impairment loss, based on delivery date is as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 90 days | **—** | 573 |
| 91–180 days | **—** | — |
| 181–365 days | **16** | 35,060 |
| More than 365 days | **93** | — |
| | **109** | 35,633 |

The majority of the Group's sales are on open account in accordance with terms specified in the contracts governing relevant transactions. An average credit period of 180 days (2016: 180 days) is granted to customers.

**Accounts receivable from the business of securities brokerage**

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.

## 13. ACCOUNTS PAYABLE

| | 2017 | 2016 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Trade payables | **5,805** | 6,468 |
| Accounts payable from the business of securities brokerage: | | |
| Clearing house, brokers and cash clients | **216,469** | 56,780 |
| | **222,274** | 63,248 |

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

| | 2017 | 2016 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within 30 days | **—** | 166 |
| 31–90 days | **—** | 294 |
| 91–180 days | **—** | 320 |
| 181–365 days | **6** | — |
| More than 365 days | **5,799** | 5,688 |
| | **5,805** | 6,468 |

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the year, the Group's businesses were organised in eight operation's segments namely (i) Securities brokerage, underwriting and placements; (ii) Money lending; (iii) Securities investment; (iv) Manufacture and sales of LED digital display products; (v) Investment in properties; (vi) Trading of commodities; (vii) Trading of garments accessories and (viii) Asset management.

***Securities Brokerage, Underwriting and Placements***

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

Revenue from this business segment during the year was approximately HK$8.2 million (2016: HK$3.4 million). It accounted for approximately 51.5% (2016: 5.3%) of the Group's revenue during the year. This business gave rise to a segment loss of approximately HK$6.7 million (2016: segment profit of approximately HK$1.4 million) for the year.

***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 year, the Group recorded loan interest income of approximately HK$7.1 million from granting loans to both corporate and individual clients. It accounted for approximately 44.4% of the Group's revenue during the year. The outstanding principal amount of loan receivables as at 31 December 2017 was HK$52 million. During the year, the Group did not record any doubtful or bad debt in its money lending activities. The segment profit of this business segment was approximately HK$7.1 million during the year.

***Securities Investment***

This business activity started in the third quarter of 2015. The investment scope includes short-term investments in listed securities in Hong Kong and other recognised overseas securities markets as well as other related investment products offered by banks and financial institutions. The Board expects that this business activity can generate additional investment returns on available funds of the Company from time to time.

As at 31 December 2017, the Group managed a portfolio of listed equity investment with fair value of approximately HK$12.2 million (2016: approximately HK$26.1 million) which are classified as held-for-trading investments. During the year, the Group recorded a loss on fair value change of listed equity investments of approximately HK$0.2 million (2016: gain of approximately HK$1.6 million) and a realised gain of approximately HK$10.3 million (2016: loss of approximately HK$5.3 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 2017, 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 expected that it will not cause material adverse impact on the financial position of the Group.

During the year, the revenue was approximately HK$0.1 million (2016: HK$3.6 million). It accounted for approximately 0.7% (2016: 5.6%) of the Group's revenue during the year.

***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.

As at 31 December 2017, the fair value of the investment properties amounted to approximately HK$17.3 million.

During the year, the rental income was approximately HK$0.5 million. It accounted for approximately 3.4% of the Group's revenue during the year.

***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 temporary suspension of the operation from the second quarter 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 quarter of 2016.

***Asset Management***

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

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

As at 31 December 2017, the assets under management was nil.

## FINANCIAL REVIEW

For the year ended 31 December 2017, the revenue of the Group decreased to approximately HK$16.0 million (2016: HK$63.9 million), representing a decrease of approximately 75.0% when compared with that of 2016. The decrease in turnover mainly resulted from the change of the Group's focus to those financial services businesses.

Following to the fire accident occurred during the year at the factory of LED Digital display products business, an additional impairment loss on plant and equipment and inventories totalled approximately HK$4.7 million was recognised.

The Group recorded a net loss of approximately HK$14.5 million for the current year, compared with a net loss of approximately HK$78.4 million for the same period of last year. The main reasons for the reduction in such loss were mainly attributable to the additional provision for impairment recognised in last year on trading of commodities business and trading of garment accessories business, the discontinued operations of Shengyan in last year and the realised gain of the Group's held-for-trading investments recognised in this year.

## LOOKING AHEAD

Looking forward, the Group will continue to develop current businesses and at the same time proactively explore new business areas and seek suitable investment opportunities. Besides, the Group will continue to strictly control risks, strengthen internal management, integrate dominant resources and develop a cautious investment strategy in order to create a better return for its shareholders.

## LEGAL PROCEEDING

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

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

## 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 year.

## CORPORATE GOVERNANCE PRACTICES

The Board and senior management are committed to maintaining a high standard of corporate governance practices with a view to enhancing the management efficiency of the Company as well as preserving the interests of the shareholders. The Board believes that high standards of corporate governance provide a framework and solid foundation for achieving, attracting and retaining the high standard and quality of the Group's management, promoting high standards of accountability and transparency and meeting the expectations of all of the Group's various stakeholders.

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices to the Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2017.

## AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code 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 is comprised of Mr. Kam Hou Yin, John, Mr. Hung Cho Sing and Mr. Luk Kin Ting who are the independent non-executive Directors. The audit committee of the Company has reviewed and discussed the financial reporting matters including the annual results for the year ended 31 December 2017 with the management of the Company and the independent auditor.

## SCOPE OF WORK OF CCTH CPA LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, CCTH CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by CCTH CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by CCTH CPA Limited on this preliminary announcement.

By Order of the Board
**KOALA Financial Group Limited**
**Kwan Kar Ching**
*Chairlady*

Hong Kong, 22 March 2018

*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. Kam Hou Yin, John, 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".*