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 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*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 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 audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018, together with the comparative figures as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*4*	**41,649**	15,960
Cost of sales and services		**(2,799)**	(3,059)
Gross profit		**38,850**	12,901
Other income and gains	*4*	**6,049**	11,861
Gain on change in fair value of investment properties		**2,600**	948
Selling and distribution expenses		**(78)**	(818)
Administrative expenses		**(25,016)**	(29,022)
Other operating expenses	*5*	**(2,930)**	(5,256)
Finance costs	*6*	**(3,350)**	(6,467)
Profit/(loss) before taxation	*7*	**16,125**	(15,853)
Taxation (charge)/ credit	*8*	**(2,849)**	1,330
Profit/(loss) for the year		**13,276**	(14,523)
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		**913**	37
Reclassification adjustments relating to subsidiaries disposed of during the year		**(176)**	–
Other comprehensive income for the year		**737**	37
Total comprehensive income/ (expense) for the year		**14,013**	(14,486)

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Profit/(loss) for the year attributable to:			
Owners of the Company		**11,625**	(9,741)
Non-controlling interests		**1,651**	(4,782)
		13,276	(14,523)
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**11,917**	(9,722)
Non-controlling interests		**2,096**	(4,764)
		14,013	(14,486)

		2018	2017
		HK cent	HK cent
Earnings/(loss) per share	*9*		
Basic		**0.44**	(0.42)
Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**3,413**	4,368
Investment properties		**19,900**	17,300
Goodwill		**18,302**	18,302
Other intangible assets		**20,000**	20,000
Loans receivable		**–**	10,300
		61,615	70,270
Current assets			
Accounts receivable	*11*	**54,210**	43,986
Loans receivable		**54,800**	45,230
Prepayments, deposits and other receivables		**2,718**	2,563
Amount due from non-controlling interests		**245**	245
Financial assets at fair value through profit or loss		**27,269**	12,226
Bank balances – trust accounts		**100,113**	191,648
Bank balances and cash – general accounts		**118,152**	133,154
		357,507	429,052
Current liabilities			
Accounts payable	*12*	**112,688**	222,274
Other payables and accruals		**10,899**	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
Income tax payable		**7,899**	7,553
		142,021	279,449
Net current assets		**215,486**	149,603
Total assets less current liabilities		**277,101**	219,873

	2018	2017
	HK$'000	*HK$'000*
Non-current liabilities		
Corporate bonds payable	**16,160**	15,209
Deferred tax liabilities	**3,376**	3,474
	19,536	18,683
Net assets	**257,565**	201,190
Capital and reserves		
Share capital	**27,833**	24,570
Reserves	**222,706**	182,858
Equity attributable to owners of the Company	**250,539**	207,428
Non-controlling interests	**7,026**	(6,238)
Total equity	**257,565**	201,190

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 Stock Exchange.

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 amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) -Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The application of the other new and amendments to HKFRSs and an interpretation in the current year has had no material impact on the Group's financial performance and position for the current and prior years.

3. OPERATING SEGMENT INFORMATION

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

– Securities investment

– Provision of securities placing and brokerage services

– Leasing of investment properties

– Money lending business

– Manufacture and sales of LED digital display products

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 taxation. The adjusted profit/loss before taxation is measured consistently with the Group's profit/loss before taxation except that bank interest income, loss on disposal of property, plant and equipment and subsidiaries, gain on change in fair value of listed equity securities, 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)**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Securities investments	**–**	–	**3,045**	10,308
Provision of securities placing and brokerage services	**27,143**	8,218	**13,091**	(6,698)
Leasing of investment properties	**540**	540	**3,073**	1,477
Money lending business	**13,966**	7,085	**12,186**	7,073
Manufacture and sales of LED digital display products	**–**	117	**(33)**	(5,555)
Others	**–**	–	**(370)**	(289)
	41,649	15,960	**30,992**	6,316

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

	2018	2017
	HK$'000	*HK$'000*
Segment profit reported above	**30,992**	6,316
Interest income from bank deposits	**1,822**	834
Other interest income	**22**	–
Loss on disposal of subsidiaries	**(1,528)**	–
Corporate and other unallocated expenses – net	**(11,833)**	(16,536)
Finance costs	**(3,350)**	(6,467)
Profit/(loss) before taxation	**16,125**	(15,853)
Taxation (charge)/credit	**(2,849)**	1,330
Profit/(loss) for the year	**13,276**	(14,523)

4. REVENUE, OTHER INCOME AND GAINS

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

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Provision of securities placing and brokerage services	**27,143**	8,218
Rental income from leasing of investment properties	**540**	540
Interest income from loans receivable	**13,966**	7,085
Sales of goods	**–**	117
Total revenue	**41,649**	15,960

	2018	2017
	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
– Net unrealised gain on listed securities	**3,824**	–
	3,824	10,316
Dividend income	**–**	210
Exchange gains, net	**3**	8
Interest income from		
– Bank deposits	**1,822**	834
– Others	**22**	–
Rental income	**–**	264
Sundry income	**378**	229
Total other income and gains	**6,049**	11,861

5. OTHER OPERATING EXPENSES

	2018	2017
	HK$'000	*HK$'000*
Impairment losses recognised in respect of:		
– Property, plant and equipment	**–**	4,031
– Inventories	**–**	619
– Other receivables	**623**	388
Loss on disposal of subsidiaries	**1,528**	–
Loss on change in fair value of financial assets at fair value through profit or loss		
– Net realised loss on sale of listed securities	**779**	–
– Net unrealised loss on listed securities	**–**	218
	2,930	5,256

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on:		
– Convertible bonds payable	**2,399**	5,356
– Corporate bonds payable	**951**	897
– Other borrowings	**–**	214
	3,350	6,467

7. PROFIT/(LOSS) BEFORE TAXATION

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

	2018	2017
	HK$'000	*HK$'000*
Directors' remuneration	**2,275**	3,164
Other staff costs (excluding directors' remuneration):		
Wages, salaries and allowances	**9,492**	10,393
Contribution to retirement schemes	**102**	351
Total staff costs	**11,869**	13,908
Auditor's remuneration		
– audit services	**655**	620
Cost of inventories sold	**–**	115
Depreciation of property, plant and equipment	**1,627**	2,409
Loss on disposal of property, plant and equipment	**5**	5
Rental charges on land and buildings under operating leases	**2,414**	3,739

8. TAXATION (CHARGE)/CREDIT

	2018	2017
	HK$'000	*HK$'000*
Current tax		
Hong Kong profits tax		
– current year	**(2,977)**	(77)
– over-provision in prior years	**30**	1,116
Current tax (charge)/credit	**(2,947)**	1,039
Deferred tax credit	**98**	291
Taxation (charge)/credit	**(2,849)**	1,330

Hong Kong profits tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profits for the year.

9. EARNINGS/ (LOSS) PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Profit/(loss)		
Profit/(loss) for the purpose of basic earnings/loss per share		
Profit/(loss) for the year attributable to owners of the Company	**11,625**	(9,741)
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds, net of tax effects	**2,003**	4,472
Profit /(loss) for the purpose of diluted earnings/loss per share	**N/A**	N/A

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/loss per share	**2,649,258**	2,345,382
Effect of dilutive potential ordinary shares:		
Convertible bonds	**134,102**	326,316
Weighted average number of ordinary shares for the purpose of diluted earnings/loss per share	**2,783,360**	2,671,698

The computation of diluted earnings/loss per share does not assume the exercise of the Company's share options granted because the exercise price of those share options was higher than the average market price for shares of the Company for both of the years ended 31 December 2018 and 31 December 2017.

Diluted earnings per share for the year ended 31 December 2018 is not presented because the impact of conversion of convertible bonds during the year is regarded as anti-dilutive. Diluted loss per share for the year ended 31 December 2017 is not presented because the Group sustained a loss for that year and the impact of conversion of convertible bonds is regarded as anti-dilutive.

10. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting date (2017: Nil).

11. ACCOUNTS RECEIVABLE

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	–	5,319
Less: Impairment loss recognised	–	(5,210)
	–	109
Accounts receivable from the business of securities brokerage:		
Clearing house, brokers and cash clients	**54,210**	43,877
	54,210	43,986

Trade receivables

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

	2018	2017
	HK$'000	*HK$'000*
From 181 days to 365 days	–	16
More than 365 days	–	93
	–	109

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 (2017: 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.

12. ACCOUNTS PAYABLE

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**–**	5,805
Accounts payable from the business of securities brokerage:		
Clearing house, brokers and cash clients	**112,688**	216,469
	112,688	222,274

In general, the credit period on purchase of goods granted by suppliers ranged from 30 to180 days. An ageing analysis of the Group's trade payables, based on invoice date, is as follows:

	2018	2017
	HK$'000	*HK$'000*
From 181 days to 365 days	**–**	6
More than 365 days	**–**	5,799
	–	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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the Group's businesses were organised in four operation's segments namely (i) Securities brokerage, underwriting and placements; (ii) Money lending; (iii) Securities investment and (iv) Investment in properties.

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 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. The Group will continue to allocate resources to this business segment. The Board expects such segment will become one of the major growth drivers to the Group.

Revenue from this business segment during the year was approximately HK$27.1 million, representing an increase of approximately HK$18.9 million as compared to approximately HK$8.2 million in the corresponding year of 2017. It accounted for approximately 65.2% (2017: 51.5%) of the Group's revenue during 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. The Board remains optimistic about the growth potentials in the money lending market of Hong Kong, and will take measures accordingly to improve our overall operational efficiency and strengthen our revenue base.

During the year, the Group recorded loan interest income of approximately HK$14.0 million (2017: HK$7.1 million) from granting loans to both corporate and individual clients. It accounted for approximately 33.5% of the Group's revenue during the year. The outstanding principal amount of loan receivables as at 31 December 2018 was HK$52.8 million (2017: HK$52.0 million). During the year, 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 31 December 2018, the Group managed a portfolio of listed equity investment with fair value of approximately HK$27.3 million (2017: approximately HK$12.2 million) which are classified as held-for-trading investments. During the year, the Group recorded a gain on fair value change of listed equity investments of approximately HK$3.8 million (2017: loss of approximately HK$0.2 million) and a realised loss of approximately HK$0.8 million (2017: gain of approximately HK$10.3 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.

As at 31 December 2018, the fair value of the investment properties amounted to approximately HK$19.9 million (2017: HK$17.3 million).

During the year, the rental income was approximately HK$0.5 million (2017: HK$0.5 million). It accounted for approximately 1.3% of the Group's revenue during the year.

FINANCIAL REVIEW

For the year ended 31 December 2018, the revenue of the Group increased to approximately HK$41.6 million (2017: HK$16.0 million), representing an increase of approximately 1.6 times when compared with that of 2017. The reason for the increase in turnover was mainly due to:

(i) the increase of the segmental profit from the segment of securities brokerage, share placements, underwriting services from a loss of approximately HK$6.7 million for the year ended 31 December 2017 to a profit of approximately HK$13.1 million for the year; and

(ii) the increase of the interest income from money lending service from approximately HK$7.1 million for the year ended 31 December 2017 to approximately HK$14.0 million for the year.

During the year ended 31 December 2018, the Group's administrative expenses were approximately HK$25.0 million (2017: HK$29.0 million), which decreased approximately 13.8% as compared with the corresponding period of last year.

During the year ended 31 December 2018, the Group's finance costs amounted to approximately HK$3.4 million (2017: HK$6.5 million), representing a significant decrease of approximately 47.7%. The decrease in finance costs was mainly caused by a full conversion of convertible bonds by the bondholder on 30 May 2018.

Due to the above reasons, the Group recorded a net profit of approximately HK$13.3 million for the year ended 31 December 2018, representing a significant increase as compared with a net loss of approximately HK$14.5 million for the same period of 2017.

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.

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.

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 2018.

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 2018 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 2018 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, 25 March 2019

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".