



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 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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*This 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 unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2019, 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 2019

	<i>Notes</i>	For the three months ended 30 June		For the six months ended 30 June	
		2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue		11,141	7,050	16,889	22,484
Cost of sales and services		(610)	(547)	(1,308)	(1,379)
Gross profit		10,531	6,503	15,581	21,105
Other income and gains		1,103	306	1,641	5,537
Selling and distribution expenses		(48)	–	(48)	(35)
Administrative expenses		(6,843)	(5,731)	(13,173)	(11,191)
Other operating expenses		(3,681)	(2,782)	(882)	–
Finance costs	4	(291)	(1,193)	(536)	(2,863)
Profit/(loss) before taxation	5	771	(2,897)	2,583	12,553
Taxation (charge)/credit	6	(127)	479	(427)	(2,070)
Profit/(loss) for the period		644	(2,418)	2,156	10,483
Other comprehensive income					
Items that may be reclassified					
subsequently to profit or loss:					
Exchange differences on translating foreign operations		–	72	–	19
Other comprehensive income for the period		644	72	2,156	19
Total comprehensive income/(expense) for the period		644	(2,346)	2,156	10,502

	<i>Notes</i>	For the three months ended 30 June		For the six months ended 30 June	
		2019	2018	2019	2018
		<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		542	(1,888)	2,392	9,447
Non-controlling interests		102	(530)	(236)	1,036
		<u>644</u>	<u>(2,418)</u>	<u>2,156</u>	<u>10,483</u>
Total comprehensive income/(expense) for the period attributable to:					
Owners of the Company		542	(1,851)	2,392	9,457
Non-controlling interests		102	(495)	(236)	1,045
		<u>644</u>	<u>(2,346)</u>	<u>2,156</u>	<u>10,502</u>
Earnings/(loss) per share					
– Basic (<i>in cents</i>)	7	<u>0.02</u>	<u>(0.07)</u>	<u>0.09</u>	<u>0.38</u>
– Diluted (<i>in cents</i>)		<u>0.02</u>	<u>N/A</u>	<u>0.09</u>	<u>0.38</u>

Condensed Consolidated Statement of Financial Position (Unaudited)

As at 30 June 2019

		As at	
		30 June	31 December
		2019	2018
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		2,785	3,413
Investment properties		19,900	19,900
Right of use asset		1,997	–
Goodwill		18,302	18,302
Other intangible assets		20,000	20,000
		<u>62,984</u>	<u>61,615</u>
Current assets			
Accounts receivable	9	75,511	54,210
Loans receivable		58,890	54,800
Prepayments, deposits and other receivables		2,492	2,718
Amount due from non-controlling interests		245	245
Financial assets at fair value through profit or loss		29,562	27,269
Bank balances – trust accounts		57,226	100,113
Bank balances and cash – general accounts		93,920	118,152
		<u>317,846</u>	<u>357,507</u>
Current liabilities			
Accounts payable	10	71,345	112,688
Other payables and accruals		10,876	10,899
Deposits received		135	135
Amount due to non-controlling interests		10,400	10,400
Income tax payable		8,327	7,899
		<u>101,083</u>	<u>142,021</u>
Net current assets		<u>216,763</u>	<u>215,486</u>
Total assets less current liabilities		<u>279,747</u>	<u>277,101</u>

		As at	
		30 June	31 December
		2019	2018
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Corporate bonds payable		16,650	16,160
Deferred tax liabilities		3,376	3,376
		<u>20,026</u>	<u>19,536</u>
Net assets		<u>259,721</u>	<u>257,565</u>
Capital and reserves			
Share capital	<i>11</i>	27,833	27,833
Reserves		225,098	222,706
Equity attributable to owners of the Company		252,931	250,539
Non-controlling interests		6,790	7,026
Total equity		<u>259,721</u>	<u>257,565</u>

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2019

	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 2018	24,570	551,182	74,286	7,410	(292)	(449,728)	207,428	(6,238)	201,190
Total comprehensive income for the period	–	–	–	–	10	9,447	9,457	1,045	10,502
Issue of shares upon conversion of convertible bonds	3,263	102,217	(74,286)	–	–	–	31,194	–	31,194
At 30 June 2018	27,833	653,399	–	7,410	(282)	(440,281)	248,079	(5,193)	242,886
At 1 January 2019	27,833	653,399	–	7,410	–	(438,103)	250,539	7,026	257,565
Total comprehensive income/(expense) for the period	–	–	–	–	–	2,392	2,392	(236)	2,156
At 30 June 2019	27,833	653,399	–	7,410	–	(435,711)	252,931	6,790	259,721

Condensed Consolidated Statement of Cash Flows (Unaudited)*For the six months ended 30 June 2019*

	For the six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in)/generated from operating activities	(22,666)	50,153
Net cash used in investing activities	<u>(1,566)</u>	<u>(29,289)</u>
Net (decrease)/increase in cash and cash equivalents	(24,232)	20,864
Cash and cash equivalents at beginning of the period	118,152	133,154
Effect of exchange rate changes	<u>–</u>	<u>19</u>
Cash and cash equivalents at end of the period	<u>93,920</u>	<u>154,037</u>
Analysis of cash and cash equivalents at end of the period:		
Bank balances and cash – general accounts	<u>93,920</u>	<u>154,037</u>

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

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
- Provision of securities placing and brokerage services
- Money lending business
- Leasing of investment properties

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the GEM Listing Rules.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in the exchange for goods.

The accounting policies and method of computation used in preparing the financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2018.

The Group has adopted certain new/revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the “HKFRSs”) that are effective for the current accounting period. The adoption of the new/revised HKFRSs has no material impact on the Group's financial statements.

The Group has not early adopted the new/revised HKFRSs, that have been issued but are yet effective, and are potentially relevant to the Group's financial statements.

The condensed financial statements are unaudited but have been reviewed by the audit committee of the Company.

3. OPERATING SEGMENT INFORMATION

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that bank interest income, finance costs, as well as other head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Segment revenue and results

	Segment revenue		Segment profit	
	For the six months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Securities investment	–	–	519	4,733
Provision of securities placing and brokerage services	9,467	15,384	8,159	14,005
Leasing of investment properties	270	270	240	240
Money lending business	7,152	6,830	6,475	6,819
	<u>16,889</u>	<u>22,484</u>	<u>15,393</u>	<u>25,797</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (2018: Nil).

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Segment profit reported above	15,393	25,797
Interest income	211	639
Corporate and other unallocated expenses	(12,485)	(11,020)
Finance costs	<u>(536)</u>	<u>(2,863)</u>
Profit before taxation	2,583	12,553
Taxation charge	<u>(427)</u>	<u>(2,070)</u>
Profit for the period	<u>2,156</u>	<u>10,483</u>

Segment assets and liabilities

	As at	
	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Segment assets		
Securities investment	29,562	27,269
Provision of securities placing and brokerage services	193,102	235,102
Leasing of investment properties	20,004	19,904
Money lending business	63,331	56,446
Total segment assets	305,999	338,721
Corporate and other unallocated assets	74,831	80,401
Total assets	<u>380,830</u>	<u>419,122</u>

	As at	
	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Segment liabilities		
Securities investment	–	–
Provision of securities placing and brokerage services	90,267	126,916
Leasing of investment properties	135	180
Money lending business	–	–
Total segment liabilities	90,402	127,096
Corporate and other unallocated liabilities	30,707	34,461
Total liabilities	<u>121,109</u>	<u>161,557</u>

4. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on:				
– Corporate bonds payable	247	233	492	464
– Convertible bonds payable	–	960	–	2,399
– Others	44	–	44	–
	<u>291</u>	<u>1,193</u>	<u>536</u>	<u>2,863</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	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exchange loss/(gain), net	20	2	11	(12)
Net realised (gain)/loss on sale of listed securities	(1,003)	90	(1,390)	(1,350)
Net unrealised loss/(gain) on listed securities	2,635	2,668	871	(3,383)
Depreciation of property, plant and equipment	313	481	629	857
Rental charges on land and buildings under operating leases	621	589	1,242	1,180
	<u>621</u>	<u>589</u>	<u>1,242</u>	<u>1,180</u>

6. TAXATION (CHARGE)/CREDIT

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
Hong Kong Profit Tax	(127)	479	(427)	(2,070)
	<u>(127)</u>	<u>479</u>	<u>(427)</u>	<u>(2,070)</u>

The Inland Revenue (Amendment) (No. 3) Ordinance 2018 was enacted on 29 March 2018 introducing the two-tiered profits tax rates regime.

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of a corporation will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. For the six months ended 30 June 2019, Hong Kong Profits Tax of the nominated Group company is calculated in accordance with the two-tiered profits tax rates regime. The assessable profits of other Group companies in Hong Kong will continue to be taxed at the tax rate of 16.5%.

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	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings/(loss)				
Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share	<u>542</u>	<u>(1,888)</u>	<u>2,392</u>	<u>9,447</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 and diluted earnings/(loss) per share	<u>2,783,360</u>	<u>2,568,207</u>	<u>2,783,360</u>	<u>2,512,932</u>

Diluted loss per share is not presented because the Group sustained a loss for the three months ended 30 June 2018 and the impact of exercise of share options 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 2019 (2018: Nil).

9. ACCOUNTS RECEIVABLE

As at	
30 June	31 December
2019	2018
<i>HK\$'000</i>	<i>HK\$'000</i>

Accounts receivable from the business of securities brokerage:

Clearing house, brokers and cash clients	75,511	54,210
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The settlement terms of accounts receivable from clearing house, brokers and cash clients, which arose from the business of securities brokerage, are two days after trade date. No ageing analysis of the accounts receivable from clearing house, brokers and cash clients is disclosed as management of the Group is of the view that the ageing analysis does not give additional value in view of the nature of this business.

10. ACCOUNTS PAYABLE

As at	
30 June	31 December
2019	2018
<i>HK\$'000</i>	<i>HK\$'000</i>

Accounts payable from the business of securities brokerage:

Clearing house, brokers and cash clients	71,345	112,688
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The settlement terms of accounts payable arising from the business of securities brokerage are two days after trade date. No ageing analysis of these accounts payable is disclosed as management of the Group is of the view that the ageing analysis does not give additional value in view of the nature of this business.

11. SHARE CAPITAL

	As at		As at	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
	'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>2,783,360</u>	<u>2,783,360</u>	<u>27,833</u>	<u>27,833</u>

12. CAPITAL COMMITMENTS

As at 31 December 2018 and 30 June 2019, the Group did not have any significant capital commitments.

13. RELATED PARTY TRANSACTIONS

For the six months ended 30 June 2019, the Group did not have any transactions with related parties.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period, the Group's businesses were organised in 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 30 June 2019, 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 period was approximately HK\$9.5 million, representing a decrease of approximately HK\$5.9 million as compared to approximately HK\$15.4 million in the corresponding period of 2018. It accounted for approximately 56.1% (2018: 68.4%) of the Group's revenue during the period. The decrease in revenue was mainly due to the decrease in number of placing and underwriting engagement as a result of the recent downturn of the equity market in Hong Kong.

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 period, the Group recorded loan interest income of approximately HK\$7.2 million (2018: HK\$6.8 million) from granting loans to both corporate and individual clients. It accounted for approximately 42.3% (2018: 30.4%) of the Group's revenue during the period. The outstanding principal amount of loan receivables as at 30 June 2019 was HK\$56.5 million (31 December 2018: HK\$52.8 million). During the period, the Group did not record any doubtful or bad debt in its money lending activities.

Securities Investment

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

As at 30 June 2019, the Group managed a portfolio of listed equity investment with fair value of approximately HK\$29.6 million (31 December 2018: HK\$27.3 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\$0.9 million (2018: gain of HK\$3.4 million) and a realised gain of approximately HK\$1.4 million (2018: gain of HK\$1.4 million).

Details of the Group's held-for-trading investments are set out in the section headed "Significant Investments".

Investment in Properties

In the third quarter of 2016, the Group had acquired commercial properties for investment purpose. The properties are located in Hong Kong. It is currently leased by a listed company. The Group believes that these properties could generate stable rental income to the Group.

During the period, the rental income was approximately HK\$0.3 million (2018: HK\$0.3 million). It accounted for approximately 1.6% (2018: 1.2%) of the Group's revenue during the period.

FINANCIAL REVIEW

For the six months ended 30 June 2019, the revenue of the Group decreased to approximately HK\$16.9 million (2018: HK\$22.5 million), representing a decrease of approximately 24.9% when compared with that of 2018. Such decrease was mainly attributable to the decrease in the service income from securities placing and brokerage as a result of the deteriorating economic situation.

For the six months ended 30 June 2019, the net amount of the Group's other income, gains and losses were approximately HK\$0.8 million (2018: HK\$5.5 million). The decrease in other income, gains and losses was mainly attributable to the fair value loss of approximately HK\$0.9 million on listed equity investment this period in comparing to the fair value gain of approximately HK\$3.4 million on the corresponding period of last year.

For the six months ended 30 June 2019, the Group's administrative expenses were approximately HK\$13.3 million (2018: HK\$11.2 million), which increased approximately 16.3% as compared with the corresponding period of last year.

For the six months ended 30 June 2019, the Group's finance costs amounted to approximately HK\$0.5 million (2018: HK\$2.9 million), representing a significant decrease of approximately 81.3%. 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\$2.2 million for the six months ended 30 June 2019, representing a significant decrease as compared with a net profit of approximately HK\$10.5 million for the same period of 2018.

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 2019, the Group's major business operations took place in Hong Kong, financed mainly by the revenue generated from operating activities and corporate borrowings. As at 30 June 2019, the Group had cash and bank balances of approximately HK\$93.9 million (31 December 2018: HK\$118.2 million).

As at 30 June 2019, the Group's total indebtedness comprised of corporate bonds of approximately HK\$16.7 million (31 December 2018: HK\$16.2 million).

As at 30 June 2019, the Group's outstanding number of issued shares of HK\$0.01 each was 2,783,359,958 shares (31 December 2018: 2,783,359,958 shares).

The Group's gearing ratio, as a percentage of total indebtedness over total indebtedness and total equity, as at 30 June 2019 was 6.0% (31 December 2018: 5.9%).

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the sections headed "Business Review" and "Looking Ahead", during the six months ended 30 June 2019, 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 2019, the Group held approximately HK\$29.6 million (31 December 2018: HK\$27.3 million) of equity investments which were classified as held for trading. Details of the significant investments are as follows:

	Place of incorporation	Fair Value Gain/(Loss) HK\$	Market Value HK\$	Approximate percentage of held-for-trading investment %	Approximate percentage to the net asset %
EJE (Hong Kong) Holdings Limited	Cayman Islands	983,014	12,395,000	41.9	4.8
Glory Sun Financial Group Limited	Cayman Islands	(39,556)	2,765,000	9.4	1.2
S.A.I. Leisure Group Company Limited	Cayman Islands	62,633	4,037,120	13.6	1.5
Shun Wo Group Holdings Limited	Cayman Islands	(1,500,640)	3,480,000	11.8	1.3
Silver Tide Holdings Limited	Cayman Islands	(28,823)	2,325,000	7.9	0.9
Others	N/A	(347,795)	4,559,622	15.4	1.7
		<u>(871,167)</u>	<u>29,561,742</u>	<u>100.0</u>	<u>11.4</u>

In view of the recent volatile in the stock market, the Board will adopt cautious measures to manage the Group's investment portfolio with an aim to provide positive return to the Group in the near future.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group had about 29 (2018: 29) employees. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits scheme contribution amounted to approximately HK\$7.9 million (2018: HK\$5.5 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 2018 and 30 June 2019, the Group did not have any substantial pledge of assets.

CONTINGENT LIABILITIES

As at 31 December 2018 and 30 June 2019, the Group did not have any material contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

During the period under review, the Group's transactions were mainly denominated in Hong Kong dollars. The Board do not consider that the Group was significantly exposed to any foreign currency exchange risk.

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 2019.

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

As at 30 June 2019, 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		Total	Percentage of issued share capital of the Company
		Ordinary shares held	underlying shares held		
Ms. Wong Ka Man	Beneficial owner	530,667,261	–	530,667,261	19.07%

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 30 June 2019.

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 2019, the Company had 21,200,000 (31 December 2018: 21,200,000) share options outstanding under the 2002 Share Option Scheme, which represented approximately 0.8% (31 December 2018: 0.9%) of its issued share capital on that date. No share option was granted under the New Share Option Scheme.

The following table discloses movements in the Company’s share options during the period:

Name or category of participant	Exercisable period	Exercise price per share of the Company HK\$	Outstanding at 1 January 2019	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2019
Others	25 November 2010 to						
In aggregate	24 November 2020	0.666	21,200,000	-	-	-	21,200,000

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during the period were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or chief executive of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them or was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire such rights or benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the period.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and required standard of dealings and its code of conduct regarding security transactions by the Directors throughout the six months ended 30 June 2019.

CORPORATE GOVERNANCE PRACTICES AND PROCEDURES

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the “**CG Code**”) set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2019, except for the code provision A6.7 of the CG Code.

The code provision A6.7 of the CG Code stipulated that independent non-executive Directors should attend the general meetings of the Company. One of the independent non-executive Directors were unable to attend the annual general meeting of the Company held on 6 June 2019 due to other business engagements.

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 2018 annual report of the Company are set out below:

Mr. Kam Hou Yin, John, has tendered his resignation as the independent non-executive director of the Company, the chairman of audit committee, the member of nomination committee and the chairman of remuneration committee with effect from 12 April 2019.

Ms. Ng Yau Kuen, Carmen has been appointed as the independent non-executive director of the Company, the chairlady of audit committee, the member of nomination committee and the chairlady of remuneration committee with effect from 12 April 2019.

Mr. Hung Cho Sing, an independent non-executive Director, has been re-designated to the position of non-executive director of Universe Entertainment and Culture Group Company Limited (stock code: 1046) from executive director, with effect from 1 February 2019.

Save for the information above, the Company is not aware of any other change in Directors' information which are required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules subsequent to the date of the 2018 annual report.

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 2019 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, 9 August 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 Ms. Ng Yau Kuen, Carmen, 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".