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 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.

*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 2019, together with the comparative figures as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	4	**38,957**	41,649
Cost of services		**(2,261)**	(2,799)
Gross profit		**36,696**	38,850
Other income and gains	4	**6,341**	6,049
(Loss)/gain on change in fair value of investment properties		**(300)**	2,600
Selling and distribution expenses		**(53)**	(78)
Administrative expenses		**(24,782)**	(25,016)
Other operating expenses	5	**(4,462)**	(2,930)
Finance costs	6	**(1,057)**	(3,350)
Profit before tax	7	**12,383**	16,125
Income tax expense	8	**(2,321)**	(2,849)
Profit for the year		**10,062**	13,276
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations			
Exchange difference arising during the year		**–**	913
Reclassification adjustments relating to subsidiaries disposed of during the year		**–**	(176)
Other comprehensive income for the year		**–**	737
Total comprehensive income for the year		**10,062**	14,013

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Profit for the year attributable to:			
Owners of the Company		**9,046**	11,625
Non-controlling interests		**1,016**	1,651
		10,062	13,276
Total comprehensive income for the year attributable to:			
Owners of the Company		**9,046**	11,917
Non-controlling interests		**1,016**	2,096
		10,062	14,013

	Notes	**2019** *HK cent*	2018 *HK cent*
Earnings per share	*9*		
Basic		**0.33**	0.44
Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**2,182**	3,413
Right-of-use assets		**336**	–
Investment properties		**19,600**	19,900
Goodwill		**18,302**	18,302
Other intangible assets		**20,000**	20,000
		60,420	61,615
Current assets			
Loans receivables		**63,550**	54,800
Accounts receivables	*11*	**63,840**	54,210
Prepayments, deposits and other receivables		**1,882**	2,718
Amount due from non-controlling interests		**245**	245
Financial assets at fair value through profit or loss		**47,798**	27,269
Bank balances – trust accounts		**42,578**	100,113
Bank balances and cash – general accounts		**98,594**	118,152
		318,487	357,507
Current liabilities			
Accounts payables	*12*	**56,705**	112,688
Other payables and accruals		**12,977**	10,899
Rental deposits received		**155**	135
Lease liabilities		**346**	–
Amount due to non-controlling interests		**10,400**	10,400
Income tax payable		**10,284**	7,899
		90,867	142,021
Net current assets		**227,620**	215,486
Total assets less current liabilities		**288,040**	277,101

	2019	2018
	HK$'000	*HK$'000*
Non-current liabilities		
Corporate bonds payable	**17,168**	16,160
Deferred tax liabilities	**3,245**	3,376
	20,413	19,536
Net assets	**267,627**	257,565
Capital and reserves		
Share capital	**27,833**	27,833
Reserves	**231,752**	222,706
Equity attributable to owners of the Company	**259,585**	250,539
Non-controlling interests	**8,042**	7,026
Total equity	**267,627**	257,565

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 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements 2015–2017 Cycle

Other than as explained below regarding the impact of HKFRS 16 "Leases", the application of other new and amended standards effective in respect of the current year had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17") and the related interpretations.

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) 14-Int ”Determining whether an arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date at initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities. Any difference at the date of initial application is recognised in the opening accumulative losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;

(ii) elected not to recognise right-of-use assets and lease liabilities for lease term ends within 12 months of the date of initial application;

(iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(iv) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis; and

(v) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 3%.

	At 1 January 2019 *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	2,774
Lease liabilities as at 1 January 2019 (discounted at relevant incremental borrowing rate of 3%)	2,732
Analysed as	
Current	2,732
Non-current	–
	2,732

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	
Reclassified from prepaid lease payments	2,732
	2,732

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included:

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
Non-Current Assets			
Right-of-use assets included in non-current assets	–	2,732	2,732
Current Liabilities			
Lease liabilities included in current liabilities and non-current liabilities	–	2,732	2,732

3. OPERATING SEGMENT INFORMATION

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

- Securities investments
- Provision of securities placing and brokerage services
- Leasing of investment properties
- Money lending business
- Provision of assets management services

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 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)	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Securities investments	**–**	–	**1,288**	3,045
Provision of securities placing and brokerage services	**23,303**	27,143	**10,963**	13,091
Leasing of investment properties	**553**	540	**184**	3,073
Money lending business	**14,701**	13,966	**11,225**	12,186
Provision of assets management services	**400**	–	**(1,535)**	–
Others	**–**	–	**–**	(403)
	38,957	41,649	**22,125**	30,992

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

	2019	2018
	HK$'000	*HK$'000*
Segment profit reported above	**22,125**	30,992
Interest income from bank deposits	**332**	1,822
Other interest income	**–**	22
Loss on disposal of subsidiaries	**–**	(1,528)
Corporate and other unallocated expenses – net	**(9,017)**	(11,833)
Finance costs	**(1,057)**	(3,350)
Profit before tax	**12,383**	16,125
Income tax expense	**(2,321)**	(2,849)
Profit for the year	**10,062**	13,276

(b) **Segment assets and liabilities**

	2019	2018
	HK$'000	*HK$'000*
Segment assets		
Securities investments	**47,798**	27,269
Provision of securities placing and brokerage services	**186,993**	235,102
Leasing of investment properties	**19,757**	19,904
Money lending business	**71,594**	56,446
Provision of assets management services	**635**	–
Others	**3**	3
Total segment assets	**326,780**	338,724
Corporate and other unallocated assets	**52,127**	80,398
Total assets	**378,907**	419,122

	2019	2018
	HK$'000	*HK$'000*
Segment liabilities		
Provision of securities placing and brokerage services	**73,913**	126,916
Leasing of investment properties	**155**	180
Provision of assets management services	**25**	–
Total segment liabilities	**74,093**	127,096
Corporate and other unallocated liabilities	**37,187**	34,461
Total liabilities	**111,280**	161,557

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, interest from loans receivable and provision of assets management services, analysed as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue		
Provision of securities placing and brokerage services	**23,303**	27,143
Rental income from leasing of investment properties	**553**	540
Interest income from loans receivables	**14,701**	13,966
Provision of assets management services	**400**	–
Total revenue	**38,957**	41,649

	2019	2018
	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	**5,750**	–
– Net unrealised gain on listed securities	**–**	3,824
	5,750	3,824
Dividend income	**14**	–
Exchange gains, net	**9**	3
Interest income from		
– Bank deposits	**332**	1,822
– Others	**–**	22
Sundry income	**236**	378
Total other income and gains	**6,341**	6,049

5. OTHER OPERATING EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Impairment losses recognised in respect of:		
– other receivables	**–**	623
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	**4,462**	–
	4,462	2,930

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on:		
– Corporate bonds payable	**1,008**	951
– Lease liabilities	**49**	–
– Convertible bonds payable	**–**	2,399
	1,057	3,350

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2019	2018
	HK$'000	*HK$'000*
Directors' remuneration	**2,918**	2,275
Other staff costs (excluding directors' remuneration):		
Wages, salaries and allowances	**10,229**	9,492
Contribution to retirement schemes	**235**	102
Total staff costs	**13,382**	11,869
Auditor's remuneration		
– audit services	**658**	655
Depreciation of property, plant and equipment	**1,240**	1,627
Depreciation of right-of-use assets	**2,396**	–
Loss on disposal of property, plant and equipment	**–**	5
Rental charges on land and buildings under operating leases	**–**	2,414

8. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current year	**(2,813)**	(2,977)
– over-provision in prior years	**361**	30
Current tax charge	**(2,452)**	(2,947)
Deferred tax credit	**131**	98
Income tax expense	**(2,321)**	(2,849)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of the assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5%.

For the year ended 31 December 2019, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime. For the year ended 31 December 2018, Hong Kong profit tax was calculated at the rate of 16.5% of the estimated assessable profits.

9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting date (2018: Nil).

10. EARNINGS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Profit		
Profit for the purpose of basic earnings per share		
Profit for the year attributable to owners of the Company	**9,046**	11,625
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds, net of tax effects	**–**	2,003
Profit for the purpose of diluted earnings per share	**N/A**	N/A

	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares		
for the purpose of basic earnings per share	**2,783,360**	2,649,258
Effect of dilutive potential ordinary shares:		
Convertible bonds	**–**	134,102
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,783,360**	2,783,360

The computation of diluted earnings 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 2019 and 31 December 2018.

Diluted earnings per share for the year ended 31 December 2019 is not presented as there were no potential ordinary shares issue for the year 2019 except for the share options granted by the Company.

Diluted earnings per share for the year ended 31 December 2018 is not presented because the impact of conversion of convertible bonds is regarded as anti-dilutive and there were no potential ordinary shares in issue for the year 2018 except for the convertible bonds and the share options granted by the Company.

11. ACCOUNTS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Accounts receivables from clearing house, brokers and cash clients	**63,787**	54,210
Other accounts receivables	**53**	–
	63,840	54,210

Accounts receivables from the business of securities brokerage

The settlement terms of accounts receivables from clearing house, brokers and cash clients, which arose from the business of securities brokerage, are two days after trade date. The accounts receivables from the business of securities brokerage at 31 December 2019 and 31 December 2018 are not past due as at those respective dates based on settlement terms and are not impaired. The accounts receivables as at 31 December 2019 were settled subsequent to that date.

No ageing analysis of the accounts receivables 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.

Other accounts receivables

The following is an ageing analysis of other accounts receivables based on the invoice date, at the end of the reporting periods:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**53**	–

12. ACCOUNTS PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Account payables from clearing house, brokers and cash clients	**56,705**	112,688

Accounts payables from the business of securities brokerage

The settlement terms of accounts payables from clearing house, brokers and cash clients, which arose from the business of securities brokerage, are two days after trade date. The accounts payables from the business of securities brokerage at 31 December 2019 and 31 December 2018 are not past due as at those respective dates based on settlement terms and are not impaired. The accounts payables as at 31 December 2019 were settled subsequent to that date.

No ageing analysis of the accounts payables 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. EVENT AFTER THE REPORTING PERIOD

The Directors of the Group consider that the outbreak of the 2019 Novel Coronavirus ("**COVID-19**") may affect the financial performance and position of the Group including the fair value changes of investment in securities, expected credit losses on loans receivables, impairment of goodwill and intangible assets so on. Meanwhile, due to the inherent nature and unpredictability of future development of the virus and market sentiment, the Directors are still assessing the financial impact that COVID-19 will have on the financial statements of the Group as at the date that the consolidated financial statements are authorised for issue. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

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 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 year was approximately HK$23.3 million, representing an decrease of approximately HK$3.8 million as compared to approximately HK$27.1 million in the corresponding year of 2018. It accounted for approximately 59.8% (2018: 65.2%) 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$14.7 million (2018: HK$14.0 million) from granting loans to both corporate and individual clients. It accounted for approximately 37.7% (2018: 33.5%) of the Group's revenue during the year. The outstanding principal amount of loan receivables as at 31 December 2019 was HK$58.3 million (2018: HK$52.8 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 2019, the Group managed a portfolio of listed equity investment with fair value of approximately HK$47.8 million (2018: HK$27.3 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$4.5 million (2018: gain of approximately HK$3.8 million) and a realised gain of approximately HK$5.8 million (2018: loss of approximately HK$0.8 million).

Investment in Properties

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

As at 31 December 2019, the fair value of the investment properties amounted to approximately HK$19.6 million (2018: HK$19.9 million).

During the year, the rental income was approximately HK$0.6 million (2018: HK$0.5 million). It accounted for approximately 0.9% of the Group's revenue during the year.

FINANCIAL REVIEW

For the year ended 31 December 2019, the revenue of the Group increased to approximately HK$39.0 million (2018: HK$41.6 million), representing a decrease of approximately 6.3% when compared with that of 2018. The reason for the decrease in turnover were mainly due to the decrease of the segmental turnover from the segment of securities brokerage, share placements, underwriting services from approximately HK$27.1 million for the year ended 31 December 2018 to approximately HK$23.3 million for the year.

During the year ended 31 December 2019, the Group's administrative expenses were approximately HK$24.8 million (2018: HK$25.0 million), which decreased approximately 0.8% as compared with the corresponding period of last year.

During the year ended 31 December 2019, the Group's finance costs amounted to approximately HK$1.1 million (2018: HK$3.4 million), representing a significant decrease of approximately 67.6%. 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$10.1 million for the year ended 31 December 2019, representing a decrease as compared with a net profit of approximately HK$13.3 million for the same period of 2018.

LOOKING AHEAD

The Board is of the view that the general outlook of the industry and the business environment in which the Group operates remain challenging in the coming year. Looking forward, we will continue to develop current businesses and at the same time proactively explore new business areas and seek suitable investment opportunities.

Besides, we 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.

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 2019.

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 Ms. Ng Yau Kuen, Carmen, 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 2019 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 2019 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 2020

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".