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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2021

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 (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 condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the three months ended 31 March 2021, together with the comparative figures as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

For the three months ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	3	**4,444**	7,969
Cost of services		**(497)**	(381)
Gross profit		**3,947**	7,588
Other income, gains and losses	3	**4,800**	(6,954)
Administrative expenses		**(4,410)**	(3,588)
Finance costs	4	**(267)**	(260)
Profit/(loss) before tax		**4,070**	(3,214)
Income tax expense	5	**(674)**	–
Profit/(loss) and total comprehensive income/(expense) for the period		**3,396**	(3,214)
Profit/(loss) and total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		**3,562**	(3,895)
Non-controlling interests		**(166)**	681
		3,396	(3,214)
		2021 *HK cents*	2020 *HK cents* (revised)
Earnings/(loss) per share	6		
Basic and diluted		**2.56**	(2.80)

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the three months ended 31 March 2021

	Attributable to owners of the Company							
	Share capital	**Share premium account**	**Capital reserve**	**Share option 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*
At 1 January 2020	27,833	653,399	–	7,410	(429,057)	259,585	8,042	267,627
Total comprehensive (expense)/income for the period	–	–	–	–	(3,895)	(3,895)	681	(3,214)
At 31 March 2020	27,833	653,399	–	7,410	(432,952)	255,690	8,723	264,413
At 1 January 2021	**27,833**	**653,399**	**–**	**–**	**(417,383)**	**263,849**	**8,779**	**272,628**
Total comprehensive income/(expense) for the period	**–**	**–**	**–**	**–**	**3,562**	**3,562**	**(166)**	**3,396**
Acquisition of non-controlling interest *(note)*	**–**	**–**	**(2,490)**	**–**	**–**	**(2,490)**	**2,044**	**(446)**
At 31 March 2021	**27,833**	**653,399**	**(2,490)**	**–**	**(413,821)**	**264,921**	**10,657**	**275,578**

Note:

On 18 March 2021, the minority shareholder disposed of its entire equity interest of 49% in KOALA Capital Management Limited to the Group for a cash consideration of HK$200,000 and ceased to be a related party of the Group since then.

Notes to Condensed Consolidated Financial Statements (Unaudited)

For the three months ended 31 March 2021

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 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

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that 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 2020.

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

3. REVENUE, OTHER INCOME, GAINS AND LOSSES

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

	2021	2020
	HK$'000	*HK$'000*
Revenue		
Provision of securities placing and brokerage services	**1,962**	5,327
Interest income from loans receivable	**2,327**	2,487
Rental income from leasing of investment properties	**155**	155
Total revenue	**4,444**	7,969

	2021	2020
	HK$'000	*HK$'000*
Other income, gains and losses		
Exchange gain, net	**1**	–
Gain/(loss) on change in fair value of financial assets at fair value through profit or loss		
– Net realised gain on sale of listed securities	**2,589**	1,687
– Net unrealised gain/(loss) on listed securities	**2,201**	(8,678)
Interest income	**6**	33
Others	**3**	4
Total other income, gains and losses	**4,800**	(6,954)

4. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest on:		
– Lease liabilities	**35**	1
– Corporate bonds payable	**193**	259
– Other borrowings	**39**	–
	267	260

5. INCOME TAX EXPENSE

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

For the three months ended 31 March 2021 and 31 March 2020, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime.

6. EARNINGS/(LOSS) PER SHARE

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

	2021	2020
	HK$'000	*HK$'000*
Earnings/(loss)		
Earnings/(loss) for the purpose of basic earnings/(loss) per share	**3,562**	(3,895)

	Number of shares	Number of shares
	'000	*'000*
		(revised)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**139,168**	139,168

The number of ordinary shares for the purpose of basic earnings/(loss) per share has been adjusted to take into account the share consolidation which took place on 18 March 2021.

Diluted earnings/(loss) per share

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 the three months ended 31 March 2020.

Diluted earnings/(loss) per share for both of the three months ended 31 March 2021 and 31 March 2020 are the same as basic earnings/(loss) per share as there were no potential ordinary shares in issue during the years 2020 and 2021.

7. DIVIDENDS

No dividend was paid or proposed during the three months ended 31 March 2021, nor has any dividend been proposed since the end of the reporting date (2020: Nil).

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 31 March 2021, 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$2.0 million, representing a decrease of approximately HK$3.3 million as compared to approximately HK$5.3 million in the corresponding period of 2020. It accounted for approximately 44.1% (2020: 66.8%) of the Group's revenue during the period.

Money Lending

In February 2016, the Group, through an indirect wholly-owned subsidiary of the Group, obtained a money lender's licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). In developing the Group's money lending business, the Group targets corporations and individuals with financing needs. The Group will only advance new loans to those borrowers whose have good financial credit rating and all overdue balances are reviewed regularly by our senior management. 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$2.3 million (2020: HK$2.5 million) from granting loans to both corporate and individual clients. It accounted for approximately 52.4% (2020: 31.2%) of the Group's revenue during the period. The principal amount of loans and interests receivable as at 31 March 2021 was HK$30.7 million (2020: HK$66.5 million). During the period, the Group did not record any doubtful or bad debt in its money lending activities.

Securities Investment

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

As at 31 March 2021, the Group managed a portfolio of listed equity investment with fair value of approximately HK$36.2 million (2020: HK$39.3 million) which are classified as held-for-trading investments. During the period, the Group recorded a gain on fair value change of listed equity investments of approximately HK$2.2 million (2020: loss of approximately HK$8.7 million) and a realised gain of approximately HK$2.6 million (2020: gain of approximately HK$1.7 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.

During the period, the rental income was approximately HK$0.2 million (2020: HK$0.2 million). It accounted for approximately 3.5% (2020: 1.9%) of the Group's revenue during the period.

FINANCIAL REVIEW

For the three months ended 31 March 2021, the revenue of the Group decreased to approximately HK$4.4 million (2020: HK$8.0 million), representing a decrease of approximately 44% when compared with that of 2020. The reason for the decrease in turnover was mainly due to the recent outbreak of the COVID-19, which led to the decrease in segmental revenue from securities related business.

For the three months ended 31 March 2021, the Group recorded a realised gain on sale of listed securities of approximately HK$2.6 million as compared to the gain of approximately HK$1.7 million for the same corresponding period in 2020.

For the three months ended 31 March 2021, the Group recorded an unrealised gain on listed securities of approximately HK$2.2 million as compared to the loss of approximately HK$8.7 million for the same corresponding period in 2020.

For the three months ended 31 March 2021, the Group's administrative expenses were approximately HK$4.4 million (2020: HK$3.6 million), which increased approximately 22.9% as compared with the corresponding period of last year. The reasons for the increase in administrative expenses were mainly due to the increase of the staff cost of HK$0.4 million and the marketing expense of HK$0.5 million.

Due to the above reasons, the Group recorded a net profit of approximately HK$3.4 million for the three months ended 31 March 2021, representing an increase as compared with a net loss of approximately HK$3.2 million for the same period of 2020.

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.

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 31 March 2021.

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

As at 31 March 2021, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions in ordinary shares and underlying shares of the Company

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Percentage of issued share capital of the Company
Ms. Wong Ka Man	Beneficial owner	26,533,363	–	26,533,363	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 31 March 2021.

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.

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 Mr. Hung Cho Sing, Mr. Luk Kin Ting and Mr. Ng Wah Leung who are the independent non-executive Directors.

The Group's unaudited results for the three months ended 31 March 2021 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, 13 May 2021

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. Ng Wah Leung, being the independent non-executive directors.

This announcement will remain on the GEM website at "www.hkgem.com" on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and on the website of the Company at "www.koala8226.com.hk".