



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 Report 2022

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 report, for which the directors (the "**Directors**") of KOALA Financial Group Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the 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 report 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 report 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 2022, 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 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	3	6,319	4,444
Cost of services		(325)	(497)
Gross profit		5,994	3,947
Other income, gains and losses	3	(48,129)	4,800
Administrative expenses		(2,993)	(4,410)
Finance costs	4	(108)	(267)
(Loss)/profit before tax		(45,236)	4,070
Income tax credit/(expense)	5	7,289	(674)
(Loss)/profit and total comprehensive (expense)/income for the period		(37,947)	3,396
(Loss)/profit and total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		(38,498)	3,562
Non-controlling interests		551	(166)
		(37,947)	3,396
(Loss)/earnings per share			
Basic and diluted	6	(27.66)	2.56

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the three months ended 31 March 2022

	Attributable to owners of the Company					Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium account HK\$'000	Accumulated losses HK\$'000	Total HK\$'000			
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	(416,311)	264,921	10,657	275,578	
At 1 January 2022	27,833	653,399	(328,184)	353,048	10,413	363,461	
Total comprehensive (expense)/income for the period	-	-	(38,498)	(38,498)	551	(37,947)	
At 31 March 2022	27,833	653,399	(366,682)	314,550	10,964	325,514	

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 2022

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 and accounting principles generally accepted in Hong Kong. In addition, the condensed consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by 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, 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 and services.

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 2021.

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. REVENUE, OTHER INCOME, GAINS AND LOSSES

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

	2022 HK\$'000	2021 HK\$'000
Revenue		
Provision of securities placing, underwriting and brokerage services	3,171	832
Interest income from margin financing	2,206	1,130
Interest income from loans and interests receivable	816	2,327
Rental income from leasing of investment properties	126	155
Total revenue	6,319	4,444

	2022 HK\$'000	2021 HK\$'000
Other income, gains and losses		
Dividend income	12	-
Exchange gain, net	-	1
(Loss)/gain on change in fair value of financial assets at fair value through profit or loss		
– Net realised (loss)/gain on sale of listed securities	(351)	2,589
– Net unrealised (loss)/gain on listed securities	(47,712)	2,201
Interest income from bank deposits	4	6
Others	(82)	3
Total other income, gains and losses	(48,129)	4,800

4. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Interest on:		
– Lease liabilities	18	35
– Corporate bonds payable	90	193
– Other borrowing	–	39
	108	267

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5. INCOME TAX CREDIT/(EXPENSE)

	2022 HK\$'000	2021 HK\$'000
Hong Kong profit tax		
– Current tax charge	(408)	(674)
– Deferred tax credit	7,697	–
Income tax credit/(expense)	7,289	(674)

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 2022 and 31 March 2021, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime.

6. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

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

	2022 HK\$'000	2021 HK\$'000
(Loss)/earnings (Loss)/earnings for the purpose of basic (loss)/earnings per share	(38,498)	3,562
	Number of shares '000	Number of shares '000
Number of shares Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	139,168	139,168

Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for both of the three months ended 31 March 2022 and 31 March 2021 are the same as basic (loss)/earnings per share as there were no potential ordinary shares in issue during the years 2022 and 2021.

7. DIVIDENDS

No dividend was paid or proposed during the three months ended 31 March 2022, nor has any dividend been proposed since the end of the reporting date (2021: 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 Business; (ii) Money Lending Business; (iii) Securities Investment Business and (iv) Properties Investment Business.

Securities Brokerage Business

The Group carries out the securities brokerage business through its subsidiary, namely KOALA Securities Limited (樹熊證券有限公司) ("KOALA Securities Limited" (www.koalasecurities.com.hk "KOALA Securities"), which is to conduct Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities under the Securities and Futures Ordinance ("SFO"). KOALA Securities possesses the right to be eligible to trade on or through the Stock Exchange and is a participant of the Hong Kong Securities Clearing Company Limited.



Founded in 2015, KOALA Securities is a well-established integrated securities broker in the Hong Kong financial services industry. It primarily provides (i) brokerage services, (ii) margin and short-term IPO financing, and (iii) placing and underwriting services to its customers.

The revenue breakdown for the three months ended 31 March 2021 and 2022 are as follows:

	2022 HK\$'000	2021 HK\$'000
Revenue from brokerage services	641	819
Revenue from margin financing	2,206	1,130
Revenue from placing and underwriting	2,530	13
	5,377	1,962

With a view to further improving the revenue from the brokerage and margin financing services, the Group had enlarged the capacity of the margin financing service by reserving more funds to customers who wish to purchase securities on a margin basis. The Board expects this segment will become one of the major growth drivers to the Group.

Revenue from this business segment during the period was approximately HK\$5.4 million, representing an increase of approximately HK\$3.4 million as compared to approximately HK\$2.0 million in the corresponding period of 2021. It accounted for approximately 85.1% (2021: 44.1%) of the Group's revenue during the period.

Money Lending Business

The Group carries out the money lending business through its wholly-owned subsidiary, namely Honest Smart Finance Limited (傑誠財務有限公司) ("Honest Smart Finance"). It is a money lender licenced in Hong Kong under the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).



www.hsfin.hk

In developing the money lending business, Honest Smart Finance provides various loan products to borrowers, which mainly include:

- (a) Personal loans, which are offered to individual customers to meet their personal financial needs; and
- (b) Corporate loans, which are offered to corporate customers to fulfill their short and long term capital needs.

Honest Smart Finance will only advance new loans to those borrowers whose have good financial credit rating and all overdue balances are reviewed regularly by its senior management.

The outbreak of the coronavirus had further worsened the economy, and heightened volatility and risks. Honest Smart Finance has adopted more cautious and prudent approach in the assessments and approval of new loans or renewal of existing loans in order to mitigate its credit risk.

During the period, the Group recorded loan interest income of approximately HK\$0.8 million (2021: HK\$2.3 million) from granting loans to both corporate and individual clients. It accounted for approximately 12.9% (2021: 52.4%) of the Group's revenue during the period. The loans and interests receivable as at 31 March 2022 was HK\$19.1 million (2021: HK\$30.7 million). During the period, an impairment loss of approximately HK\$5.0 million (2021: HK\$nil) were prudently made in its money lending activities after reviewing the relevant borrowers' financial positions.

Securities Investment Business

The Group commenced the securities investment business 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, with the goal to generate additional investment returns on available funds of the Company from time to time.

As at 31 March 2022, the Group managed a portfolio of listed equity investment with fair value of approximately HK\$77.2 million (2021: HK\$36.2 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\$47.7 million (2021: gain of approximately HK\$2.2 million) and a realised loss of approximately HK\$0.4 million (2021: gain of approximately HK\$2.5 million).

Properties Investment Business

In the third quarter of 2016, the Group had commenced its properties investment business and acquired certain commercial property in Hong Kong for investment purpose. The Group may lease out its investment properties for recurring rental income, which generates stable rental income to the Group.

In order to further expand the portfolio of investment properties of the Group, the Board is proactively identifying suitable commercial properties in Hong Kong, while it is also seeking the opportunities to expand the coverage to retail and industrial properties in Hong Kong, so as to diversify its investment properties portfolio.

During the period, the rental income was approximately HK\$0.1 million (2021: HK\$0.2 million). It accounted for approximately 2.0% (2021: 3.5%) of the Group's revenue during the period.

FINANCIAL REVIEW

For the three months ended 31 March 2022, the revenue of the Group increased to approximately HK\$6.3 million (2021: HK\$4.4 million), representing an increase of approximately 42.2% when compared with that of 2021. The reason for the increase in turnover was primarily attributable to the increase of segmental turnover from the securities brokerage business.

For the three months ended 31 March 2022, the Group recorded a realised loss on sale of listed securities of approximately HK\$0.4 million as compared to the gain of approximately HK\$2.5 million for the same corresponding period in 2021.

For the three months ended 31 March 2022, the Group recorded an unrealised loss on listed securities of approximately HK\$47.7 million as compared to the gain of approximately HK\$2.2 million for the same corresponding period in 2021. The significant decrease was mainly caused by an unrealised loss from the investment in Hong Kong Aerospace Technology Group Limited (stock code: 1725) of approximately HK\$45.4 million. Provision for taxation of approximately HK\$7.5 million on such loss was reversed during the period.

Due to the above reasons, the Group recorded a net loss of approximately HK\$37.9 million for the three months ended 31 March 2022, representing a decrease as compared with a net profit of approximately HK\$3.4 million for the same period of 2021.

OUTLOOK AND PROSPECTS

The directors of the Group consider that the outbreak of the COVID-19 in early 2020 may affect the financial performance and position of the Group including the fair value changes of investment in securities, expected credit losses on loans and interests receivable, 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 consolidated financial statements of the Company 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.

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 2022.

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

As at 31 March 2022, 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	Percentage of issued share capital of	
				Total	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 2022.

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 2022 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 2022

As at the date of this report, 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 report 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".