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## **KVB KUNLUN FINANCIAL GROUP LIMITED**

**昆侖國際金融集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8077)**

### **THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE “GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of the GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on the GEM, there is a risk that securities traded on the GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on the GEM.**

*This announcement, for which the directors (the “Directors”) of KVB Kunlun Financial Group Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

#### **THIRD QUARTERLY RESULTS**

The board (the “Board”) of Directors announces the unaudited consolidated third quarterly results of the Group for the nine months ended 30 September 2013.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2013

	Note	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Leveraged foreign exchange and other trading income		<b>30,091</b>	24,471	<b>100,388</b>	67,739
Cash dealing income		<b>3,188</b>	2,535	<b>8,412</b>	6,868
Other income	3	<b>3,639</b>	6,255	<b>23,720</b>	20,358
<b>Total income</b>		<b>36,918</b>	33,261	<b>132,520</b>	94,965
Fees and commission expenses		<b>16,878</b>	15,677	<b>44,904</b>	38,483
Staff costs	4	<b>8,997</b>	7,139	<b>23,973</b>	23,248
Depreciation and amortization		<b>658</b>	592	<b>1,951</b>	1,701
Lease payments under land and buildings		<b>1,457</b>	1,386	<b>4,539</b>	4,271
Administrative and other operating expenses	5	<b>5,426</b>	9,639	<b>21,974</b>	21,208
<b>Total expenses</b>		<b>33,416</b>	34,433	<b>97,341</b>	88,911
<b>Operating profit/(loss)</b>		<b>3,502</b>	(1,172)	<b>35,179</b>	6,054
Finance cost		<b>(25)</b>	(11)	<b>(96)</b>	(80)
<b>Profit/(Loss) before tax</b>		<b>3,477</b>	(1,183)	<b>35,083</b>	5,974
Income tax expense	6	<b>(786)</b>	(1,104)	<b>(11,443)</b>	(3,204)
<b>Profit/(Loss) for the period</b>		<b>2,691</b>	(2,287)	<b>23,640</b>	2,770
<b>Other comprehensive income</b>					
Currency translation difference		<b>5,378</b>	3,169	<b>(885)</b>	5,563
Other comprehensive income for the period, net of tax		<b>5,378</b>	3,169	<b>(885)</b>	5,563
<b>Total comprehensive income for the period</b>		<b>8,069</b>	882	<b>22,755</b>	8,333
Earnings/(Loss) per share for profit/(loss) attributable to the equity holders of the Company for the period – Basic and diluted (HK cents per share)	8	<b>0.14</b>	(0.14)	<b>1.34</b>	0.18
Dividends	7	<b>–</b>	14,000	<b>16,000</b>	14,000

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2013

	Unaudited					
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve (Note) HK\$'000	Currency translation reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1 January 2013	100	56,991	171,892	6,647	(2,878)	232,752
<b>Comprehensive income</b>						
Profit for the period	-	-	-	-	23,640	23,640
Other comprehensive income for the period	-	-	-	(885)	-	(885)
<b>Total comprehensive income at 30 September 2013</b>	<b>100</b>	<b>56,991</b>	<b>171,892</b>	<b>5,762</b>	<b>20,762</b>	<b>255,507</b>
Capitalisation issue	16,467	(16,467)	-	-	-	-
Placing of new shares	3,433	151,758	-	-	-	155,191
Shares issue expenses	-	(9,354)	-	-	-	(9,354)
Dividends	-	(16,000)	-	-	-	(16,000)
	<b>20,000</b>	<b>166,928</b>	<b>171,892</b>	<b>5,762</b>	<b>20,762</b>	<b>385,344</b>

	Unaudited					
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve (Note) HK\$'000	Currency translation reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1 January 2012	-	-	171,892	2,061	12,871	186,824
<b>Comprehensive income</b>						
Profit for the period	-	-	-	-	2,770	2,770
Other comprehensive income for the period	-	-	-	5,563	-	5,563
<b>Total comprehensive income at 30 September 2012</b>	<b>-</b>	<b>-</b>	<b>171,892</b>	<b>7,624</b>	<b>15,641</b>	<b>195,157</b>
Proceeds from shares issued	100	56,991	-	-	-	57,091
Dividend	-	-	-	-	(14,000)	(14,000)
	<b>100</b>	<b>56,991</b>	<b>171,892</b>	<b>7,624</b>	<b>1,641</b>	<b>238,248</b>

Note: The balance represents the difference between the book value of the net assets of KVB Kunlun New Zealand Limited, KVB Kunlun Pty Ltd and KVB Kunlun International (HK) Limited over the par value of the shares issued by LXL Capital II Limited ("LXL II"), LXL Capital III Limited ("LXL III") and LXL Capital IV Limited ("LXL IV") in exchange for these subsidiaries under the reorganisation as described in Note 1.2.

# NOTES TO THE FINANCIAL INFORMATION

## 1 CORPORATE INFORMATION AND REORGANISATION

### 1.1 General information

The Company was incorporated in the Cayman Islands on 9 November 2010 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company's shares have been listed on the GEM of the Stock Exchange since 3 July 2013.

The Company is an investment holding company and its subsidiaries are principally engaged in leveraged foreign exchange and other trading, cash dealing business, and other service.

The financial information is presented in HK dollars ("HK\$"), unless otherwise stated. This financial information has not been audited.

### 1.2 Reorganisation

In preparing for the listing of shares of the Company on the GEM of the Stock Exchange (the "Listing"), the Company underwent the reorganisation, pursuant to which the group companies owned by the controlling shareholders were transferred to the Company. The reorganisation involved the following:

- (a) On 9 November 2010, the Company was incorporated in the Cayman Islands by Codan Trust Company (Cayman) Limited. On the same date, 100% equity interest was transferred to Mr. Li Zhi Da ("Mr. Li").
- (b) On 8 April 2011, LXL Capital I Limited ("LXL I") was incorporated as a wholly owned subsidiary of the Company.
- (c) On 8 April 2011, LXL II, LXL III and LXL IV were incorporated and each of them allotted and issued 100 nil-paid shares to LXL I.
- (d) On 4 May 2012, pursuant to a sale and purchase agreement:
  - (i) The entire issued share capital of the Company was transferred from Mr. Li to KVB Kunlun Holdings Limited ("KVB Holdings") for a consideration of HK\$1.
  - (ii) The Company acquired the entire share capital of KVB Kunlun International (HK) Limited from Mr. Li and the estate of Ms. Tsui Wang by crediting as fully paid at par the 100 nil-paid LXL IV shares allotted and issued to LXL I on 8 April 2011 (as mentioned in (c) above).
  - (iii) The Company acquired the entire share capital of KVB Kunlun New Zealand Limited from KVB Holdings by crediting as fully paid at par the 100 nil-paid LXL II shares allotted and issued to LXL I on 8 April 2011 (as mentioned in (c) above).
  - (iv) The Company acquired the entire share capital of KVB Kunlun Pty Ltd from KVB Holdings by crediting as fully paid at par the 100 nil-paid LXL III shares allotted and issued to LXL I on 8 April 2011 (as mentioned in (c) above).

Such transfers were completed by 7 May 2012.

## 2 BASIS OF PRESENTATION AND PREPARATION

### 2.1 Basis of presentation

For the purpose of this report, the financial information of the Group has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated statements of comprehensive income and the condensed consolidated statements of changes in equity of the Group for the nine-month ended 30 September 2013 have been prepared on a consolidated basis and include the financial information of the companies under the common control of the controlling shareholders and now comprising the Group as if the current group structure had been in existence throughout the year ended 31 December 2012 and nine-month ended 30 September 2013.

### 2.2 Basis of preparation

The financial information for the nine months ended 30 September 2013 has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. The financial information should be read in conjunction with the accountant’s report included in the prospectus for the year ended 31 December 2012, which have been prepared in accordance with HKFRS.

The accounting policies applied are consistent with those of the accountant’s report included in the prospectus for the year ended 31 December 2012.

Taxes on income in the reporting periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

There are no other amended standards or interpretations that are effective for the first time for this nine months period that could be expected to have a material impact on this Group.

## 3 OTHER INCOME

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Provision of management services	564	940	1,813	7,148
Fees and commission income	7,860	7,850	21,760	17,728
Interest income	408	377	984	1,234
Exchange gain/(losses), net	(5,317)	(3,019)	(1,220)	(6,137)
Others	124	107	383	385
	<u>3,639</u>	<u>6,255</u>	<u>23,720</u>	<u>20,358</u>

#### 4 STAFF COSTS

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries and allowances	8,800	6,966	23,330	22,543
Pension scheme contributions	197	173	643	705
	<u>8,997</u>	<u>7,139</u>	<u>23,973</u>	<u>23,248</u>

#### 5 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Management fees paid to ultimate holding company	164	183	497	2,370
Management fees paid to fellow subsidiaries	76	233	245	315
Other office occupation expenses	408	373	1,209	1,167
Auditor's remuneration	198	306	1,075	960
Information services expenses	865	800	2,311	2,602
Professional and consultancy fee	(736)	5,552	7,012	7,045
Repair and maintenance (including system maintenance)	119	121	401	494
Marketing, advertising and promotion expenses	1,398	624	3,188	1,493
Travelling expenses	646	508	1,361	1,615
Entertainment expenses	320	248	723	793
Others	1,968	691	3,952	2,354
	<u>5,426</u>	<u>9,639</u>	<u>21,974</u>	<u>21,208</u>

#### 6 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit in Hong Kong for each of the respective periods. Taxation on overseas profits has been calculated on the estimated assessable profit for the respective periods at the rates of taxation prevailing in the countries in which the Group operates. The income tax expenses of the Group are charged at a tax rate of 28% in New Zealand and 30% in Australia respectively in accordance with the local tax authorities.

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax:				
Charge for the period	786	1,104	11,443	2,696
Over-provision in prior year	-	-	-	177
Deferred tax:				
Credit for the period	-	-	-	331
Income tax expense	<u>786</u>	<u>1,104</u>	<u>11,443</u>	<u>3,204</u>

## 7 DIVIDENDS

On 22 August 2012, the Company had declared an interim dividend of HK\$1.4 per ordinary share and interim dividend of HK\$14,000,000 was paid to the then shareholders of the Company.

On 21 May 2013 and 3 June 2013, the Company had declared special dividends of HK\$1 and HK\$0.6 per ordinary share based on the outstanding shares as of the respective dates. The total special dividends of HK\$16,000,000 were paid to the then shareholders of the Company.

## 8 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares deemed to be in issue during the respective periods.

	<b>Unaudited Three months ended 30 September</b>		<b>Unaudited Nine months ended 30 September</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
Profit/(Loss) attributable to equity holders of the Company (HK\$'000)	<b>2,691</b>	(2,287)	<b>23,640</b>	2,770
Weighted average number of ordinary shares deemed to be in issue	<b><u>1,992,535,978</u></b>	<u>1,656,655,000</u>	<b><u>1,769,845,659</u></b>	<u>1,577,631,295</u>
Basic earnings/(loss) per share (HK\$ cents)	<b><u>0.14</u></b>	<u>(0.14)</u>	<b><u>1.34</u></b>	<u>0.18</u>

The diluted earnings per share for the respective periods are the same as basic earnings per share as there are no dilutive ordinary shares. The basic and diluted earnings per share as presented on the condensed consolidated statement of comprehensive income have taken into account the capitalisation of the sum of HK\$16,466,550 standing to the credit of the share premium account of the Company for issue of 1,646,655,000 shares credited as fully paid at par to the holders of shares whose names appear on the register of members of the Company at the close of business on 2 June 2013 in proportion to their then existing respective shareholding.

## 9 APPROVAL OF FINANCIAL INFORMATION

These financial information was approved and authorised for issue by the Board on 8 November 2013.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

At the end of the 2013 third quarter, the dollar slumped against most major currencies as investor sentiment was hit by worries that the U.S. Congress would fail to agree on a spending package due to disputes over President Barack Obama's healthcare reform law, coupled with fears that the disputes would further hinder the following negotiations to raise the U.S. debt ceiling. Both the Euro and the pound sterling against the dollar moved to the seven month highs and were hovering around 1.35 and 1.62 respectively in late September 2013.

With the market concerns about the United States potential military action to Syria, the gold price rose to the quarter high of US\$1,433 in late August 2013. As worries of the U.S. troop movement to Syria eased gradually and investors focuses moved to the tapering of bond buying program by the Federal Reserve and the congressional deadline to pass a spending package, the gold price fell to around US\$1,330 level in the quarter end.

Compared to the second quarter of 2013, in which having unexpected large market volatility, the leveraged foreign exchange trading volume in the third quarter of 2013 only dropped slightly and maintained at a satisfactory level. The XAU/USD and EUR/USD are two of the most popular trading pairs in the quarter under review.

### **FINANCIAL PERFORMANCE**

The Group recorded a total income of approximately HK\$132.5 million for the nine months ended 30 September 2013, a 39.5% increase from approximately HK\$95 million for the corresponding period of the previous year. The profit achieved for the nine months ended 30 September 2013 is approximately HK\$23.6 million, increased by 7.53 times as compared to the profit of HK\$2.7 million for the same period last year. The satisfactory improvement in both total income and the profit is mainly contributed by the shiny results in the 2013 second quarter, in which investors started to expect the United States will taper its bond buying program and thus the prices of primarily precious metals and exchange rates in emerging markets dropped significantly.

Total expenses for the nine months ended 30 September 2013 amounted to HK\$97.3 million, increased by around 9% as compared to the same period in 2012. Such increase is mainly due to the increase in fees and commission expenses which is in line with the trend of the leveraged foreign exchange and other trading income. Staff costs, depreciation and amortization, lease payments under land and building, and administrative and other operating expenses were controlled at similar level of last year.

### **INTERESTS OF THE COMPLIANCE ADVISER AND ITS DIRECTORS, EMPLOYEES AND ASSOCIATES**

As confirmed by Quam Capital Limited, the compliance adviser of the Company, none of Quam Capital Limited and its directors, employees and associates is materially interested in any contract or arrangement subsisting on 3 July 2013, being the first date of trading of the shares of the Company immediately after the period under review, which is significant in relation to the business of the Group.

### **DIRECTORS' COMPETING INTERESTS**

During the period under review, none of the Directors or their respective associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group.



## **AUDIT COMMITTEE**

The Company has established an audit committee (the “Audit Committee”) on 18 December 2012 with written terms of reference in compliance with the requirements as set out in Rule 5.28 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, nominate and monitor external auditors and provide advice and comments to the Directors.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Lin Wenhui, Ms. Zhao Guixin and Mr. Cornelis Jacobus Keyser. Mr. Lin Wenhui is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited consolidated results of the Group for the nine months ended 30 September 2013 and has provided advice and comments thereon.

## **QUARTERLY DIVIDEND**

The Board has resolved to pay a third quarterly dividend of 0.675 HK cents per ordinary share. The third quarterly dividend will be distributed on or around Tuesday, 3 December 2013 to shareholders whose names appear on the register of members of the Company as at the close of business on Wednesday, 27 November 2013.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 25 November 2013 to Wednesday, 27 November 2013, both days inclusive, during which period no transfer of the shares will be registered. In order to qualify for the third quarterly dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Union Registrars Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, not later than 4:00 p.m. on Friday, 22 November 2013.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the period under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

By order of the Board  
**KVB Kunlun Financial Group Limited**  
**Liu Stefan**  
*Executive Director*

Hong Kong, 8 November 2013

*As at the date of this announcement, the executive Directors are Mr. Liu Stefan and Mr. Ng Chee Hung Frederick; the non-executive Directors are Mr. Li Zhi Da and Mr. Stephen Gregory McCoy; and the independent non-executive Directors are Ms. Zhao Guixin, Mr. Cornelis Jacobus Keyser and Mr. Lin Wenhui.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Listed Company Information” page for at least seven days from the day of its posting and on the website of the Company at [www.kvblistco.com](http://www.kvblistco.com).*