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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)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014**

#### **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 GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on 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 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 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.*

#### **INTERIM RESULTS**

The board (the “Board”) of Directors announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2014.

## CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2014*

	<i>Note</i>	Unaudited			
		Three months ended 30 June		Six months ended 30 June	
		2014	2013	2014	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Leveraged foreign exchange and other trading income	4	23,421	46,023	42,749	70,296
Cash dealing income	4	2,844	2,371	6,818	5,224
Other income	5	6,497	15,320	7,463	20,081
<b>Total income</b>		<b>32,762</b>	63,714	<b>57,030</b>	95,601
Fees and commission expenses		12,777	18,058	24,808	28,026
Staff costs	6	9,599	8,137	18,217	14,977
Depreciation and amortization		679	658	1,310	1,294
Lease payments under land and buildings		1,544	1,471	3,069	3,082
Administrative and other operating expenses	7	8,825	12,139	16,698	16,545
<b>Total expenses</b>		<b>33,424</b>	40,463	<b>64,102</b>	63,924
Operating (loss)/profit		(662)	23,251	(7,072)	31,677
Finance cost		(3)	(45)	(4)	(71)
(Loss)/profit before tax		(665)	23,206	(7,076)	31,606
Income tax credit/(expense)	8	1,885	(8,233)	1,227	(10,657)
(Loss)/profit for the period		1,220	14,973	(5,849)	20,949
<b>Other comprehensive income</b>					
Items that may be reclassified to profit or loss					
Currency translation difference		925	(7,741)	5,442	(6,263)
Other comprehensive income for the period, net of tax		925	(7,741)	5,442	(6,263)
<b>Total comprehensive income for the period</b>		<b>2,145</b>	7,232	<b>(407)</b>	14,686
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company for the period					
– Basic and diluted (HK cents per share)	10	0.06	0.90	(0.29)	1.26
Dividends	9	–	16,000	–	16,000

# CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2014

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2014</b>	2013
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>11</i>	<b>5,848</b>	6,301
Intangible assets	<i>12</i>	<b>785</b>	257
Deferred tax assets		<b>2,698</b>	413
		<u>9,331</u>	<u>6,971</u>
<b>Current assets</b>			
Tax prepayments		<b>2,229</b>	567
Other assets and prepayments	<i>13</i>	<b>7,218</b>	4,973
Amounts due from fellow subsidiaries	<i>20</i>	<b>127</b>	75
Amount due from ultimate holding company	<i>20</i>	<b>13</b>	23
Derivative financial instruments	<i>14</i>	<b>40,254</b>	56,594
Balances due from agents		<b>13,008</b>	16,910
Cash and bank balances and client trust bank balances	<i>15</i>	<b>492,041</b>	483,880
		<u>554,890</u>	<u>563,022</u>
<b>Total current assets</b>		<b>554,890</b>	563,022
<b>Total assets</b>		<b>564,221</b>	569,993
<b>EQUITY AND LIABILITIES</b>			
Share capital	<i>18</i>	<b>20,000</b>	20,000
Reserves		<b>351,416</b>	343,703
Retained earnings		<b>2,547</b>	18,396
		<u>373,963</u>	<u>382,099</u>
<b>Total equity</b>		<b>373,963</b>	382,099

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2014</b>	2013
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Current liabilities</b>			
Finance lease obligations		<b>50</b>	45
Current income tax liabilities		<b>628</b>	3,068
Other payables and accrued liabilities	<i>16</i>	<b>9,504</b>	12,189
Amounts due to fellow subsidiaries	<i>20</i>	–	312
Derivative financial instruments	<i>14</i>	<b>6,340</b>	2,579
Clients' balances	<i>17</i>	<b>173,561</b>	169,426
		<u><b>190,083</b></u>	<u>187,619</u>
<b>Non-current liabilities</b>			
Finance lease obligations		<b>105</b>	126
Deferred tax liabilities		<b>70</b>	149
		<u><b>175</b></u>	<u>275</u>
<b>Total liabilities</b>		<u><b>190,258</b></u>	<u>187,894</u>
<b>Total equity and liabilities</b>		<u><b>564,221</b></u>	<u>569,993</u>
<b>Net current assets</b>		<u><b>364,807</b></u>	<u>375,403</u>
<b>Total assets less current liabilities</b>		<u><b>374,138</b></u>	<u>382,374</u>

## CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2014*

	Unaudited						
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Currency translation reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2014	20,000	166,928	171,892	–	4,883	18,396	382,099
<b>Comprehensive income</b>							
Loss for the period	–	–	–	–	–	(5,849)	(5,849)
Other comprehensive income for the period	–	–	–	–	5,442	–	5,442
	<u>20,000</u>	<u>166,928</u>	<u>171,892</u>	<u>–</u>	<u>10,325</u>	<u>12,547</u>	<u>381,692</u>
Share option scheme	–	–	–	2,271	–	–	2,271
Dividends	–	–	–	–	–	(10,000)	(10,000)
<b>Balance at 30 June 2014</b>	<b><u>20,000</u></b>	<b><u>166,928</u></b>	<b><u>171,892</u></b>	<b><u>2,271</u></b>	<b><u>10,325</u></b>	<b><u>2,547</u></b>	<b><u>373,963</u></b>

	Unaudited						
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Currency translation reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2013	100	56,991	171,892	–	6,647	(2,878)	232,752
<b>Comprehensive income</b>							
Profit for the period	–	–	–	–	–	20,949	20,949
Other comprehensive income for the period	–	–	–	–	(6,263)	–	(6,263)
	<u>100</u>	<u>56,991</u>	<u>171,892</u>	<u>–</u>	<u>384</u>	<u>18,071</u>	<u>247,438</u>
Dividends	–	(16,000)	–	–	–	–	(16,000)
<b>Balance at 30 June 2013</b>	<b><u>100</u></b>	<b><u>40,991</u></b>	<b><u>171,892</u></b>	<b><u>–</u></b>	<b><u>384</u></b>	<b><u>18,071</u></b>	<b><u>231,438</u></b>

## CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

		Unaudited	
		Six months ended 30 June	
		2014	2013
	Note	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax		(7,076)	31,606
Adjustments for:			
Depreciation and amortisation	11 & 12	1,310	1,294
Interest income		(900)	(576)
Share option expense		2,271	–
		<hr/>	<hr/>
Cash flows from operating activities		(4,395)	32,324
before working capital changes		(2,812)	5,869
(Increase)/decrease in pledged time deposits		973	(75,821)
Decrease/(Increase) in client trust bank balances		3,902	(3,739)
Decrease/(Increase) in balances due from agents		20,101	(10,508)
Decrease/(Increase) in derivative financial instruments		(2,438)	(3,159)
Increase in other assets and prepayments		10	(3,736)
Decrease/(Increase) in amounts due			
from ultimate holding company		(52)	108
(Increase)/Decrease in amounts due from fellow subsidiaries		(312)	(683)
Decrease in amounts due to fellow subsidiaries		4,135	30,683
Increase in clients' balances		(2,686)	5,986
Decrease/(Increase) in other payables and accrued liabilities		<hr/>	<hr/>
Cash generated from/(used in) operations		16,426	(22,676)
Income tax paid		(5,348)	(2,919)
		<hr/>	<hr/>
Net cash generated from/(used in) operating activities		11,078	(25,595)
		-----	-----
<b>Cash flows from investing activities</b>			
Interest received		1,093	499
Purchase of property, plant and equipment			
and intangible assets	11 & 12	(1,255)	(739)
		<hr/>	<hr/>
Net cash used in investing activities		(162)	(240)
		-----	-----
<b>Cash flows from financing activities</b>			
Repayment of finance lease obligations		(29)	(59)
Dividends paid	9	(10,000)	(16,000)
		<hr/>	<hr/>
Net cash used in financing activities		(10,029)	(16,059)
		-----	-----
<b>Net increase/(decrease) in cash and cash equivalents</b>		887	(41,894)
Cash and cash equivalents at beginning of year	15	310,675	248,650
Effect of foreign exchange rate changes, net		5,435	(6,649)
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	15	316,997	200,107
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 1 CORPORATE INFORMATION

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

### 1.2 Key Events

- (a) On 10 January 2014, the Board of Directors of the Company has granted 40,000,000 share options to 68 individuals ("Grantees") for their subscription of new ordinary shares of HK\$0.01 per share of the Company. Details of the movements in share options of the Company are set out in Note 19.
- (b) On 5 March 2014, Zhuhai City Hengqin New District Administration for Industry and Commerce (珠海市橫琴新區工商行政管理局) has granted a business licence to 珠海橫琴昆侖新金融交易中心有限公司 (Zhuhai Hengqin Kunlun Financial Exchange Limited\*), which is a wholly-owned subsidiary of the Company.

## 2 BASIS OF PRESENTATION AND PREPARATION

### 2.1 Basis of preparation

The interim financial information for the six months ended 30 June 2014 has been prepared in accordance with HKAS 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The interim financial information should be read in conjunction with the Company's 2013 annual report, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by HKICPA.

The accounting policies applied are consistent with those adopted for the preparation of the Company's 2013 annual report.

Taxes on income in the interim 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 interim period that could be expected to have a material impact on the Group.

### 2.2 Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013, with the adoption of judgements, estimates and assumptions that are required in determining the share option expenses (Note 6).

\* For identification purpose only

### **3 FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to a variety of financial risks: interest rate risk, foreign exchange risk, credit risk and liquidity risk.

The interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's 2013 annual report.

There has been no change in the risk management policies since year end.

#### **3.1 Foreign currency risk**

Exchange rate fluctuation is the most significant risk in leveraged foreign exchange trading. The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to New Zealand dollars and Australian dollars. The Group will suffer a loss if it fails to cover a client deal at a better exchange rate. The Group monitors foreign exchange exposure by reviewing the open position of the Group and client trading performance. The risk is measured by the use of sensitivity analysis and cash flow forecasting. Specific risk limits are set to measure and monitor foreign exchange risk. Any excessive foreign exchange risks are passed on to other financial institutions through execution of trades with those institutions. The management sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored on an intra-day basis.

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 30 June 2014 and 31 December 2013. Included in the tables are the assets and liabilities at carrying amounts in HK\$ equivalent, categorised by the original currency.



**As at 30 June 2014 (Unaudited)**

	HK\$ HK\$'000	NZD HK\$'000	AUD HK\$'000	USD HK\$'000	JPY HK\$'000	Others HK\$'000	Total HK\$'000
<b>Assets</b>							
Other assets	3,846	172	70	1,112	–	578	5,778
Amounts due from fellow subsidiaries	–	–	–	127	–	–	127
Amounts due from ultimate holding company	–	–	–	13	–	–	13
Derivative financial instruments	–	10,123	6,698	23,433	–	–	40,254
Balances due from agents	17	98	893	10,849	552	599	13,008
Cash and bank balances and client trust bank balances	136,645	40,431	27,430	254,856	9,257	23,422	492,041
<b>Liabilities</b>							
Finance lease obligation	–	–	155	–	–	–	155
Other payables	2,705	1,095	625	3,152	–	231	7,808
Amounts due to fellow subsidiaries	–	–	–	–	–	–	–
Derivative financial instruments	–	2,375	53	3,912	–	–	6,340
Clients' balances	–	8,861	31,621	132,923	156	–	173,561

**As at 31 December 2013 (Audited)**

	HK\$ HK\$'000	NZD HK\$'000	AUD HK\$'000	USD HK\$'000	JPY HK\$'000	Others HK\$'000	Total HK\$'000
<b>Assets</b>							
Other assets	2,636	67	362	23	–	332	3,420
Amounts due from ultimate holding company	–	–	–	23	–	–	23
Amounts due from fellow subsidiaries	–	–	–	75	–	–	75
Derivative financial instruments	–	21,323	6,207	29,064	–	–	56,594
Balances due from agents	1	6	353	15,809	155	586	16,910
Cash and bank balances and client trust bank balances	141,986	22,511	35,806	264,076	4,439	15,062	483,880
<b>Liabilities</b>							
Finance lease obligation	–	–	171	–	–	–	171
Other payables	3,029	1,307	796	5,447	–	6	10,585
Amounts due to fellow subsidiaries	–	–	–	312	–	–	312
Derivative financial instruments	–	1,801	100	678	–	–	2,579
Clients' balances	–	12,983	22,586	133,706	151	–	169,426

The following table indicates the impact on the Group's profit before taxation to movements in foreign exchange rate as at 30 June 2014 and 31 December 2013:

<b>Foreign currency risk</b>	<b>Movement in foreign currency</b>	<b>Unaudited</b>	<b>Audited</b>
		<b>30 June 2014 HK\$'000</b>	<b>31 December 2013 HK\$'000</b>
AUD	+/-5%	+/-132	+/-954
JPY	+/-5%	+/-483	+/-222
NZD	+/-5%	+/-1,925	+/-1,391

#### 4 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors. The Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. The Board of Directors considers the business from a geographical and product perspective.

Summary details of the business segments are as follows:

- (a) the margin dealing segments engage in the provision of leveraged foreign exchange and other trading services in Hong Kong and New Zealand;
- (b) the unleveraged cash dealing segment engages in the provision of non-leveraged foreign exchange trading services in New Zealand. Unleveraged cash dealing services were provided to corporate clients, in particular, those clients engaged in money changing business for the purpose of hedging their cash positions and meeting settlement obligations. The Group is rewarded by the spread between the price quoted to our clients and the price offered by our market makers; and
- (c) the investment sales segments engage in provision of sale and marketing functions to clients in New Zealand and Australia.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the six months ended 30 June 2014 and 2013.

The segment information provided to the management for the reportable segments for the six months period ended 30 June 2014 and 2013 is as follows:

##### For the six months ended 30 June 2014 (Unaudited)

	New Zealand Margin dealing HK\$'000	Hong Kong Margin dealing HK\$'000	New Zealand Cash dealing HK\$'000	New Zealand Investment sales HK\$'000	Australia Investment sales HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue and other income:								
Foreign exchange and other trading income earned from external customers	42,750	-	6,818	(1)	-	-	-	49,567
Inter-segment sales	-	15,292	-	1,592	3,923	-	(20,807)	-
Segment revenue	42,750	15,292	6,818	1,591	3,923	-	(20,807)	49,567
Other income	8,794	-	-	56	25	(1,412)	-	7,463
Total revenue and other income	<u>51,544</u>	<u>15,292</u>	<u>6,818</u>	<u>1,647</u>	<u>3,948</u>	<u>(1,412)</u>	<u>(20,807)</u>	<u>57,030</u>
Segment profit/(loss)	3,736	12,023	6,230	(3,485)	1,823	(1,412)	-	18,915
Other unallocated staff costs								(11,738)
Other unallocated administrative and operating expenses								(14,253)
Loss before tax								(7,076)
Income tax credit								1,227
Loss for the period								<u>(5,849)</u>
Other segment information:								
Depreciation and amortisation	39	131	20	55	66	999	-	1,310
Finance cost	3	-	-	-	1	-	-	4

For the six months ended 30 June 2013 (Unaudited)

	New Zealand Margin dealing HK\$'000	Hong Kong Margin dealing HK\$'000	New Zealand Cash dealing HK\$'000	New Zealand Investment sales HK\$'000	Australia Investment sales HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue and other income:								
Foreign exchange and other trading income earned from external customers	70,302	(6)	5,224	-	-	-	-	75,520
Inter-segment sales	-	13,866	-	1,689	3,084	-	(18,639)	-
Segment revenue	70,302	13,860	5,224	1,689	3,084	-	(18,639)	75,520
Other income	13,287	-	(2,693)	26	14	9,447	-	20,081
Total revenue and other income	<u>83,589</u>	<u>13,860</u>	<u>2,531</u>	<u>1,715</u>	<u>3,098</u>	<u>9,447</u>	<u>(18,639)</u>	<u>95,601</u>
Segment profit/(loss)	31,777	11,554	654	(2,479)	(2,933)	9,447		48,020
Other unallocated staff costs								(8,446)
Other unallocated administrative and operating expenses								(7,968)
Profit before tax								31,606
Income tax expense								(10,657)
Profit for the period								<u>20,949</u>
Other segment information:								
Depreciation and amortisation	46	155	28	47	293	725	-	1,294
Finance cost	61	-	7	-	-	3	-	71

The Company is domiciled in Hong Kong. The majority of the Group's income from external customers is derived from its operations in New Zealand. The result of its income from external customers in New Zealand and other is as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
New Zealand	<b>49,567</b>	75,526
Others	<u>-</u>	<u>(6)</u>
	<u><b>49,567</b></u>	<u>75,520</u>

None of the external customers contributes more than 10% of the Group's trading income individually in the respective year.

Information on segment assets and liabilities are not disclosed as this information is not presented to the Board of Directors as they do not assess performance of reportable segments using information on assets and liabilities.

There are no differences from the Company's 2013 annual report in the basis of segmentation or in the basis of measurement of segment profit or loss.

## 5 OTHER INCOME

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Provision of management services ( <i>Note 20(i)</i> )	556	318	1,081	1,249
Fees and commission income	6,188	9,256	10,267	13,900
Interest income	405	288	900	576
Exchange (losses)/gain, net	(727)	5,331	(5,004)	4,097
Others	75	127	219	259
	<u>6,497</u>	<u>15,320</u>	<u>7,463</u>	<u>20,081</u>

## 6 STAFF COSTS

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Staff costs:				
Salaries and allowances	8,268	7,900	15,554	14,531
Pension scheme contributions	216	237	392	446
Share option expenses	1,115	–	2,271	–
	<u>9,599</u>	<u>8,137</u>	<u>18,217</u>	<u>14,977</u>

## 7 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Management fees paid to ultimate holding company ( <i>Note 20(ii)</i> )	200	166	399	333
Management fees paid to fellow subsidiaries ( <i>Note 20(ii)</i> )	76	169	149	169
Other office occupation expenses	391	412	799	801
Auditor's remuneration	748	659	1,216	877
Information services expenses	698	709	1,360	1,446
Professional and consultancy fee	1,750	6,660	3,180	7,748
Repair and maintenance (including system maintenance)	168	131	337	281
Marketing, advertising and promotion expenses	2,590	1,485	5,028	1,789
Travelling expenses	866	327	1,458	714
Entertainment expenses	263	164	542	403
Others	1,075	1,257	2,230	1,984
	<u>8,825</u>	<u>12,139</u>	<u>16,698</u>	<u>16,545</u>

## 8 INCOME TAX (CREDIT)/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 June		Unaudited Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Current tax:				
Charge for the period	395	8,233	1,053	10,657
Deferred tax:				
Credit for the period	(2,280)	–	(2,280)	–
Income tax (credit)/expense	<u>(1,885)</u>	<u>8,233</u>	<u>(1,227)</u>	<u>10,657</u>

## 9 DIVIDENDS

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.

On 5 May 2014, a final dividend in respect of the year ended 31 December 2013 of HK\$0.5 cents per ordinary share was approved by the Company's shareholders. The dividend of HK\$10,000,000 was paid to the shareholders of the Company.

## 10 (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/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 in issue for the current period and deemed to be in issue for the prior period.

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2014	2013	2014	2013
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	1,220	14,973	(5,849)	20,949
Weighted average number of ordinary shares deemed to be in issue	<u>2,000,000,000</u>	<u>1,656,655,000</u>	<u>2,000,000,000</u>	<u>1,656,655,000</u>
Basic (loss)/earnings per share (HK\$ cents)	<u>0.06</u>	<u>0.90</u>	<u>(0.29)</u>	<u>1.26</u>

The basic and diluted earnings per share for the six months ended 30 June as presented on the consolidated interim statement of comprehensive income have taken into account the capitalisation issue as described in Note 18.

### (b) Diluted (loss)/earnings per share

No diluted (loss)/earnings per share for the periods ended 30 June 2014 and 2013 are shown as the outstanding share options are anti-dilutive and have no dilutive effect.

**11 PROPERTY, PLANT AND EQUIPMENT**

	<b>Unaudited 30 June 2014 HK\$'000</b>	Unaudited 30 June 2013 HK\$'000
Opening net carrying amount	6,301	5,894
Exchange adjustments	113	(84)
Additions	663	689
Depreciation	<u>(1,229)</u>	<u>(1,236)</u>
Closing net carrying amount	<u><b>5,848</b></u>	<u><b>5,263</b></u>

**12 INTANGIBLE ASSETS**

	<b>Unaudited 30 June 2014 HK\$'000</b>	Unaudited 30 June 2013 HK\$'000
Opening net carrying amount	257	329
Exchange adjustments	4	(5)
Additions	605	30
Depreciation	<u>(81)</u>	<u>(58)</u>
Closing net carrying amount	<u><b>785</b></u>	<u><b>296</b></u>

**13 OTHER ASSETS AND PREPAYMENTS**

	<b>Unaudited 30 June 2014 HK\$'000</b>	Audited 31 December 2013 HK\$'000
Rental, utility and other receivables	5,718	3,167
Prepayments	1,440	1,553
Others	<u>60</u>	<u>253</u>
Total	<u><b>7,218</b></u>	<u><b>4,973</b></u>

The carrying amounts of the Group's other assets approximate to their fair values.

## 14 DERIVATIVE FINANCIAL INSTRUMENTS

	<b>Unaudited</b> <b>30 June</b> <b>2014</b> <i>HK\$'000</i>	Audited 31 December 2013 <i>HK\$'000</i>
Current assets		
Derivative foreign exchange contracts	<b>40,254</b>	56,594
Current liabilities		
Derivative foreign exchange contracts	<u><b>(6,340)</b></u>	<u>(2,579)</u>
Total	<u><b>33,914</b></u>	<u>54,015</u>

The Group has trades in foreign currencies through its foreign currency margin trading business. In order to protect against exchange rate movements, the Group has entered into a number of foreign exchange and forward transactions with the Group's bankers to manage its net foreign currency exposure.

The notional principal amounts of the outstanding forward foreign exchange contracts at 30 June 2014 and 31 December 2013 are HK\$3,827,205,000 and HK\$2,584,207,000 respectively.

## 15 CASH AND BANK BALANCES AND CLIENT TRUST BANK BALANCES

	<b>Unaudited</b> <b>30 June</b> <b>2014</b> <i>HK\$'000</i>	Audited 31 December 2013 <i>HK\$'000</i>
Cash and bank balances	<b>293,762</b>	201,926
Fixed deposits with banks		
– with original maturity within three months	<b>23,235</b>	108,749
– with original maturity more than three months	<b>51,109</b>	48,297
Client trust bank balances	<u><b>123,935</b></u>	<u>124,908</u>
	<u><b>492,041</b></u>	<u>483,880</u>

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group is not allowed to use the clients' monies to settle its own obligations in the ordinary course of business, and therefore they are not included as cash and cash equivalents in the consolidated interim statement of cash flows.

As at 30 June 2014 and 31 December 2013, certain bank balances amounting to approximately HK\$47,740,000 and HK\$45,101,000 respectively are used to secure the banking facilities granted to the Group. No overdraft facilities were utilised by the Group as at 30 June 2014 and 31 December 2013.

## 16 OTHER PAYABLES AND ACCRUED LIABILITIES

	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 HK\$'000
Accrued rental benefit	472	648
Accruals	3,784	4,146
Commission payable	2,905	5,038
Employee entitlements	1,696	1,604
Other payables	647	753
	<u>9,504</u>	<u>12,189</u>

The carrying amounts of the Group's other payables approximate to their fair values.

## 17 CLIENTS' BALANCES

The balances represent margin deposits received from clients for their trading activities under normal course of business. The carrying amounts approximate to their fair values.

## 18 SHARE CAPITAL AND CAPITAL RESERVES

	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 HK\$'000
Authorised:		
4,000,000,000 (31 December 2013: 4,000,000,000) ordinary shares of HK\$0.01 each	<u>40,000</u>	<u>40,000</u>
Issued and fully paid:		
2,000,000,000 (31 December 2013: 2,000,000,000) ordinary shares of HK\$0.01 each	<u>20,000</u>	<u>20,000</u>

The movements in issued share capital were as follows:

	Number of shares in issue	Issued share capital HK\$'000
As at 1 January 2013 and 30 June 2013	<u>10,000,000</u>	<u>100</u>
As at 1 January 2014 and 30 June 2014	<u>2,000,000,000</u>	<u>20,000</u>

The balance of capital reserves 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 Capital III Limited and LXL Capital IV Limited in exchange for the share of these subsidiaries under the reorganisation of the Group in 2012.



Pursuant to the written resolution passed by the shareholders on 3 June 2013, the directors were authorised to allot and issue a total of 1,646,655,000 shares by way of capitalisation of the sum of HK\$16,466,550 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 1,646,655,000 shares for allotment and issue to the shareholders in proportion to their respective shareholdings.

On 3 July 2013, 343,345,000 shares of HK\$0.01 each of the Company were issued at premium at an issue price of HK\$0.452 each by way of the placing.

## 19 SHARE OPTION SCHEME

On 10 January 2014, the Board of Directors of the Company has granted 40,000,000 share options to 68 individuals for their subscription of new ordinary shares of HK\$0.01 per share of the Company.

These share options are exercisable at HK\$0.414 per share, with varying vesting period and validity from the date of grant. 40 out of 68 of the Grantees are granted share options which are exercisable for a period of three years and a vesting period of one year from the date of grant. 28 remaining Grantees are granted share options which are exercisable for a period of two years from the date of grant, with a vesting period of two years from the date of grant. All of the share options have no vesting condition. Among the 40,000,000 share options granted, 14,920,000 share options were granted to six Directors of the Company.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding are as follows:

Grantee	Date of grant	Outstanding at beginning of the period	Granted during the period	Forfeited during the period	Outstanding at end of the period	Exercise price HK\$	Exercise period
Liu Stefan	10 January 2014	–	9,520,000	–	9,520,000	0.414	10 January 2015 to 9 January 2018
Ng Chee Hung Frederick	10 January 2014	–	4,000,000	–	4,000,000	0.414	10 January 2015 to 9 January 2018
Stephen Gregory Mccoy	10 January 2014	–	800,000	–	800,000	0.414	10 January 2015 to 9 January 2018
Zhao Guixin	10 January 2014	–	200,000	–	200,000	0.414	10 January 2015 to 9 January 2018
Corenlis Jacobus Keyser	10 January 2014	–	200,000	–	200,000	0.414	10 January 2015 to 9 January 2018
Lin Wenhui	10 January 2014	–	200,000	–	200,000	0.414	10 January 2015 to 9 January 2018
Employees of group companies	10 January 2014	–	19,290,000	(500,000)	18,790,000	0.414	10 January 2015 to 9 January 2018
Employees of group companies	10 January 2014	–	2,740,000	(250,000)	2,490,000	0.414	10 January 2016 to 9 January 2018
Consultants	10 January 2014	–	1,200,000	–	1,200,000	0.414	10 January 2015 to 9 January 2018
Consultants	10 January 2014	–	1,850,000	(100,000)	1,750,000	0.414	10 January 2016 to 9 January 2018
		–	40,000,000	(850,000)	39,150,000		

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. Details of the share options granted on 10 January 2014 was as follows:

Weighted average share option price at the grant date:	HK\$0.1227
Risk free interest rate:	1.154%
Expected volatility:	42.92%
Expected dividend yield:	1.96%
Expected exercise multiple:	Directors: 2.8x of exercise price Others: 2.2x of the exercise price

The measurement date of the share options was 10 January 2014, being the date of grant of the share options. The expected dividend yield is determined with reference to historical dividend payment history of comparable listed companies up to the measurement date. The expected volatility of share price is determined with reference to annualised historical weekly volatility of comparable listed companies' share prices as of the valuation date, as extracted from Bloomberg.

## 20 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

For the outstanding balance due from or to related parties, net amount is presented when the Group has a legally enforceable right to set off the recognized amounts, and intends to settle on a net basis.

The Group had the following material transactions and balances with related parties during the period.

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2014</b>	<b>2013</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Transactions</b>			
Management fee income for the provision of group management, information technology ("IT"), marketing and administration support from:			
– fellow subsidiaries	(i)	<b>1,081</b>	1,249
Management fee expense for the provision of IT support, financial system and websites maintenance services, marketing promotion, customer services and reconciliation to:			
– ultimate holding company	(ii)	<b>399</b>	333
– fellow subsidiaries		<b>149</b>	169
Amounts paid for the provision of software development and maintenance services, IT infrastructure project management and maintenance services and IT risk assessment services to:			
– a fellow subsidiary	(iii)	<b>669</b>	–

		<b>Unaudited</b> <b>30 June</b> <b>2014</b> <i>HK\$'000</i>	Audited 31 December 2013 <i>HK\$'000</i>
	<i>Note</i>		
<b>Outstanding balances</b>			
Due from related parties:			
– fellow subsidiaries	<i>(iv)</i>	<b>127</b>	75
– ultimate holding company		<b>13</b>	23
Other assets and prepayments:			
– travel advances to key management	<i>(v)</i>	–	3
Due to related parties:			
– fellow subsidiaries	<i>(vi)</i>	–	312

*Notes:*

- (i) Management fee income is determined with reference to the cost of provision of group management, IT, marketing and administration support services plus mark up.
- (ii) Management fee expenses are charged for the provision of IT support, marketing, customer services and reconciliation, financial system and web sites maintenance services with reference to the costs incurred.
- (iii) Amounts are paid for the provision of software development and maintenance services, IT infrastructure project management and maintenance services and IT risk assessment services.
- (iv) Amounts due from related parties are unsecured, non-interest bearing and repayable on demand.
- (v) Travel advances to key management are unsecured, non-interest bearing and repayable on demand.
- (vi) Amounts due to related parties are unsecured, non-interest bearing and repayable on demand.

## 21 COMMITMENTS AND CONTINGENCIES

### (a) Capital commitments

	<b>Unaudited</b> <b>30 June</b> <b>2014</b> <i>HK\$'000</i>	Audited 31 December 2013 <i>HK\$'000</i>
Contracted but not provided for	<b>915</b>	915

**(b) Operating lease commitments**

The Group leases offices under non-cancellable operating lease commitments existing at the end of each of the respective periods. Leases were negotiated for an average term of 3 to 6 years.

The Group is required to give six months notice for termination of these leases.

	<b>Unaudited</b> <b>30 June</b> <b>2014</b> <i>HK\$'000</i>	Audited 31 December 2013 <i>HK\$'000</i>
Within one year	<b>13,961</b>	12,519
One to five years	<b>34,401</b>	10,070
	<b>48,362</b>	22,589

**22 APPROVAL OF INTERIM FINANCIAL INFORMATION**

The interim financial information was approved and authorised for issue by the Board on 7 August 2014.

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Business Review**

During the period under review, there has been a significant slowdown in market momentum, with volatility reduced in the foreign exchange (“FX”) and commodity market. The gold price traded within a narrow range for the first six months in 2014, with the upper and lower boundary being at USD1,392 and USD1,203 per ounce. The movement in gold price was much less than the price action observed in the same period in 2013, which presented a sharp drop from around USD1,696.9 an ounce to USD1,180.4 an ounce. Likewise, the movement in major currency pairs was also affected by the reduced market volatility. The EUR/USD continued to be the most popular traded currency pair, with the AUD/USD, USD/JPY and GBP/USD closely behind up. The EUR/USD topped at 1.3711 in February 2013 and then dropped to 1.2744 in April 2013, a more than 950-pip turnaround. During the same period in 2014, the EUR/USD only had about 500-pip movement, more than 42% volatility drop compared with the same period in 2013. The price in the AUD/USD, USD/JPY and GBP/USD all traded with either a sharp uptrend or downtrend (more than 1000-pip movement) in the first six months in 2013, this kind of market momentum was not repeated in the same period in 2014 though. Due to the lack of market momentum and volatility in the first six months in 2014, the Group therefore seen a narrowed profit margin earned from the trading volume of its clients.

The slowdown of market momentum also caused a significant reduction in client net deposits, from around USD15 million in 2013 to just above USD8 million in 2014. Market's with reduced volatility, means less chance a client's trading position would call for more collateral, thus also have contributing to a reduction in leveraged FX trading income.

The highlight in the first six months in 2014 is that the Group has moved forward to enhance the trading experience of its clients. The spread of most non-JPY cross currency pairs has been narrowed. The Group also launched a CHINA300 index contract for difference ("CFD"), which was designed to meet the needs of its clients who are interested in investing in Chinese equity market. The Group further added a copper CFD. This continues to be in line with the current market trend, that investors invest in commodities as a way to safeguard the value of their wealth.

## **Six months ended 30 June 2014 compared with six months ended 30 June 2013**

### **Total income**

The Group's total income decreased by approximately 40.3% to approximately HK\$57.0 million for the six months ended 30 June 2014 from approximately HK\$95.6 million for the six months ended 30 June 2013.

#### ***A Leveraged foreign exchange and other trading income***

The Group's leveraged foreign exchange and other trading income decreased by approximately 39.2% to approximately HK\$42.7 million for the six months ended 30 June 2014 from approximately HK\$70.3 million for the six months ended 30 June 2013. This is mainly due to the lower market volatility during the six months ended 30 June 2014 compared to the six months ended 30 June 2013.

#### ***B Cash dealing income***

The Group's cash dealing income increased by approximately 30.5% from approximately HK\$5.2 million for the six months ended 30 June 2013 to HK\$6.8 million for the six months ended 2014. The increase was mainly attributable to dealers' outstanding performance as the turnover figure remained approximately the same level for the two comparison period.

#### ***C Other income***

The Group's other income decreased by approximately 62.8% to approximately HK\$7.5 million for the six months ended 2014 from approximately HK\$20.1 million for the six months ended 30 June 2013.

The Group's fees and commission income decreased from approximately HK\$13.9 million for the six months ended 30 June 2013 to approximately HK\$10.3 million for the six months ended 30 June 2014. The major component of fees and commission is the commission charged to the referred clients from leveraged forex and dealing counter parties based on the trading volume. The decrease was mainly due to the reduction in charging spread added commission to referred clients.

During the six months ended 30 June 2014, the Group recorded an exchange loss of approximately HK\$5.0 million while there was an exchange gain of approximately HK\$4.1 million during the six months ended 30 June 2013. This was mainly due to the period-end translation of monetary assets denominated in foreign currency into local reporting currency by KVB Kunlun New Zealand Limited, and specifically due to the appreciation of NZD/USD exchange rate from approximately 0.8220 as at 31 December 2013 to 0.8743 as at 30 June 2014.

The Group's management fee income decreased to approximately HK\$1.08 million for six months ended 30 June 2014 from approximately HK\$1.25 million for the six months ended 30 June 2013. This was mainly due to the Group has reduced the management fee income from the non-listed group companies as result of further business separation from non-listed group.

### **Fees and commission expenses**

The Group's fees and commission expenses decreased by approximately 11.5% to approximately HK\$24.8 million for the six months ended 30 June 2014 from approximately HK\$28.0 million for the six months ended 30 June 2013. The decrease was mainly due to reduced commission payments to referral parties in response to decreases in charging spread added commission to referral parties.

### **Staff costs**

The Group's staff cost increased by approximately 21.6% to approximately HK\$18.2 million for the six months ended 30 June 2014 from approximately HK\$15.0 million for the six months ended 30 June 2013. The increase was mainly attributable to the recognition of share options expense.

### **Depreciation and amortization**

Depreciation and amortization expenses have increased slightly by approximately 1.2% to approximately HK\$1.31 million for the six months ended 30 June 2014 from around HK\$1.29 million for the six months ended 30 June 2013. This minor increase was mainly due to newly capitalized office equipment and leasehold improvements for the period under review.

### **Lease payments under land and buildings**

Lease payments under land and buildings have had a small decrease by approximately 0.4% to approximately HK\$3.07 million for the six months ended 30 June 2014 from around HK\$3.08 million for the six months ended 30 June 2013.

### **Administrative and other operating expenses**

The Group's administrative and other operating expenses have had small increases of approximately 0.9% to around HK\$16.7 million for the six months ended 30 June 2014 from approximately HK\$16.5 million for the six months ended 30 June 2013. The Group's marketing expenses has been increased from approximately HK\$1.8 million for the six months ended 30 June 2013 to approximately HK\$5.0 million for six months ended 30 June 2014, this is due to more active marketing activity during the period under review compared to the first six months in 2013. Whereas the Group's professional fees decreased from approximately HK\$8.6 million for the six months ended 30 June 2013 to approximately HK\$4.4 million for the six months ended 30 June 2014. This decrease was primarily due to no listing expenses for the period under review compare to the first six months in 2013.

## **Net profit and net profit margin**

For the reasons set forth above, the Group had a net loss of approximately HK\$5.8 million for the six months ended 30 June 2014. Compared with a net profit of approximately HK\$20.9 million for the first six months in 2013, the Group's net profit margin decreased by approximately 128%. In summary, the decrease in profitability of the Group was primarily contributed by:

- Lower market volatility resulting in lower leveraged FX trading income and other trading income.
- Exchange loss of foreign currency assets due to NZD appreciation as at period end of the review.

## **SIGNIFICANT INVESTMENTS, THEIR PERFORMANCE AND FUTURE PROSPECTS**

The Group does not have any significant investments during the period under review.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the period under review, the operation of the Group has been financed principally by equity capital, cash generated by the Group's business operations and cash and bank deposits.

## **GEARING RATIO**

The gearing ratio calculated on the basis of net debts (financial lease obligation and amounts due to fellow subsidiaries) over the total shareholders' fund as at 30 June 2014 was approximately 0.04% (31 December 2013: 0.13%).

## **FOREIGN CURRENCY EXPOSURE**

During the period under review, the Group recorded an exchange loss of approximately HK\$5.0 million (2013: a gain of approximately HK\$4.1 million). This was mainly due to the month-end translation of monetary assets denominated in foreign currency into local reporting currency by the subsidiary of the Group in New Zealand. The main contributor to this result was the appreciation of NZ dollar exchange rate NZD/USD from approximately 0.8220 as at 31 December 2013 to 0.8743 as at 30 June 2014.

## **CHARGES ON GROUP ASSETS AND CONTINGENT LIABILITIES**

As at 30 June 2014, certain bank balances of the Group amounting to approximately HK\$47.7 million were used to secure the banking facilities and office lease bonds (31 December 2013: approximately HK\$45.1 million).

As at 30 June 2014, the Group did not have any material contingent liabilities (31 December 2013: nil).

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND THEIR EXPECTED SOURCES OF FUNDING

The Group's future investment plans are detailed in the prospectus of the Company dated 11 June 2013 (the "Prospectus") in the section headed "Business Objectives and Future Plans".

As disclosed in the Prospectus, the Company expects to:

1. expand operations in the worldwide overseas Chinese and Japanese communities;
2. increase in the range of the financial services and products of the Group;
3. further upgrade the online trading platform of the Group; and
4. strategically grow through mergers and acquisitions.

The source of funding for these investment plans is from the net proceeds of the placing as set out in the Prospectus of approximately HK\$125.3 million. The Directors presently intend that the net proceeds will be applied as follow:

	<b>Intended amount HK\$</b>	<b>Intended usage up to 30 June 2014 HK\$</b>	<b>Actual approximate utilized up to 30 June 2014 HK\$</b>
Expansion of operations in the worldwide overseas Chinese and Japanese communities	36,000,000	9,500,000	231,289
Increase in the range of the financial services and products of the Group	35,000,000	5,000,000	–
Further upgrade of the online trading platform of the Group	28,000,000	13,000,000	1,310,121
Strategic growth through mergers and acquisitions	21,000,000	7,000,000	–

During the period under review, the Group was still in the process of fixing investment plans, which lead to the difference between the proposed usage and the exact usage of the net proceeds.

Up to June 2014, the Group spent approximately HK\$1.3 million to revamp the network in order to improve the efficiency, security, availability and manageability of the online trading platform. The Group will continuously review and develop its trading system and IT infrastructure.

The Group has been conducting on-going studies on identifying hot spots to develop new branches or subsidiaries. The Group set up a new subsidiary in the People's Republic of China located in Zhuhai City Hengqin New District on 5 March 2014. The Group has also been performing market studies to explore commercial viability for new products.

As disclosed in the Prospectus, the Directors planned to use the remaining net proceeds of approximately HK\$5.3 million for general working capital purposes. During the period ended 30 June 2014, such net proceeds have already been utilized for general working capital purposes.



## **CAPITAL STRUCTURE**

During the period under review, the capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

## **NEW PRODUCTS AND SERVICES**

During the six months ended 30 June 2014, the Group launched a CHINA300 Index contract for difference (“CFD”) and a copper CFD.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

During the six months ended 30 June 2014, the Group did not have any material acquisitions and disposals.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2014, the Group engaged a total of 62 employees (30 June 2013: a total of 59). Total staff costs including Directors’ remuneration for the six months period under review amounting to approximately HK\$18.2 million (30 June 2013: approximately HK\$15.0 million). The Group’s remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of individual employees.

The Group provides retirement benefits in accordance with the relevant laws and regulations in the place where the staff is employed.

The Company has adopted a share option scheme pursuant to which the Directors and employees of the Group are entitled to participate.

## **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 during the period under review, which is significant in relation to the business of the Group.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the “Audit Committee”) on 19 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 during the period under review and has provided advice and comments thereon in conjunction with the auditor of the Company.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any dividend for the period under review (2013: 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).

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

Pursuant to a resolution passed by the Board on 18 December 2012, the Company has adopted all the requirements of the code provisions of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules as its code provisions. During the period under review, the Company has complied with the code provisions set out in the Corporate Governance Code.

## **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, 7 August 2014

As at the date of this announcement, the directors of the Company are as follows:

### ***Executive directors***

Mr. Liu Stefan  
Mr. Ng Chee Hung Frederick

### ***Non-executive directors***

Mr. Li Zhi Da  
Mr. Stephen Gregory McCoy

### ***Independent non-executive directors***

Ms. Zhao Guixin  
Mr. Cornelis Jacobus Keyser  
Mr. Lin Wenhui

*This announcement will remain on the website of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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.kvblastco.com](http://www.kvblastco.com).*