

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 2015**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“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.*

#### **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 2015.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2015

	Note	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Leveraged foreign exchange and other trading income		133,862	41,305	256,274	84,054
Cash dealing income		4,481	4,883	9,833	11,701
Other income	3	18,944	14,357	45,855	21,820
<b>Total income</b>		<b>157,287</b>	<b>60,545</b>	<b>311,962</b>	<b>117,575</b>
Fees and commission expenses		36,624	14,734	82,330	39,542
Staff costs	4	33,429	8,336	64,528	26,553
Depreciation and amortization		1,274	756	3,976	2,066
Lease payments under land and buildings		2,227	1,740	6,216	4,809
Administrative and other operating expenses	5	22,644	7,882	43,576	24,580
<b>Total expenses</b>		<b>96,198</b>	<b>33,448</b>	<b>200,626</b>	<b>97,550</b>
<b>Operating profit</b>		<b>61,089</b>	<b>27,097</b>	<b>111,336</b>	<b>20,025</b>
Finance cost		(1,443)	(6)	(1,689)	(10)
<b>Profit before tax</b>		<b>59,646</b>	<b>27,091</b>	<b>109,647</b>	<b>20,015</b>
Income tax expense	6	(20,408)	(7,002)	(35,190)	(5,775)
<b>Profit for the period</b>		<b>39,238</b>	<b>20,089</b>	<b>74,457</b>	<b>14,240</b>
<b>Other comprehensive income</b>					
<i>Items that may be reclassified to profit or loss</i>					
Currency translation difference		(10,896)	(9,931)	(23,085)	(4,489)
<b>Other comprehensive income for the period, net of tax</b>		<b>(10,896)</b>	<b>(9,931)</b>	<b>(23,085)</b>	<b>(4,489)</b>
<b>Total comprehensive income for the period</b>		<b>28,342</b>	<b>10,158</b>	<b>51,372</b>	<b>9,751</b>
<b>Earnings per share for profit attributable to the equity holders of the Company for the period</b>					
– Basic (HK cents per share)	8	1.93	1.00	3.69	0.71
– Diluted (HK cents per share)	8	1.92	1.00	3.65	0.71
Dividends	7	–	13,500	12,492	13,500

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2015

	Unaudited						
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve (Note) HK\$'000	Share option reserve HK\$'000	Currency translation reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1 January 2015	20,000	166,928	171,892	4,339	(413)	29,977	392,723
<b>Comprehensive income</b>							
Profit for the period	-	-	-	-	-	74,457	74,457
Other comprehensive income for the period	-	-	-	-	(23,085)	-	(23,085)
	<u>20,000</u>	<u>166,928</u>	<u>171,892</u>	<u>4,339</u>	<u>(23,498)</u>	<u>104,434</u>	<u>444,095</u>
Share option scheme	-	-	-	9,428	-	-	9,428
Issue of new ordinary shares upon exercise of share option	330	13,348	-	(4,052)	-	4,052	13,678
Release of share option reserves upon cancellation of share option scheme	-	-	-	(638)	-	638	-
Dividends paid (Note 7)	-	-	-	-	-	(34,221)	(34,221)
<b>Balance at 30 September 2015</b>	<u><u>20,330</u></u>	<u><u>180,276</u></u>	<u><u>171,892</u></u>	<u><u>9,077</u></u>	<u><u>(23,498)</u></u>	<u><u>74,903</u></u>	<u><u>432,980</u></u>

	Unaudited						
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve (Note) HK\$'000	Share option reserve HK\$'000	Currency translation reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1 January 2014	20,000	166,928	171,892	-	4,883	18,396	382,099
<b>Comprehensive income</b>							
Profit for the period	-	-	-	-	-	14,240	14,240
Other comprehensive income for the period	-	-	-	-	(4,489)	-	(4,489)
	<u>20,000</u>	<u>166,928</u>	<u>171,892</u>	<u>-</u>	<u>394</u>	<u>32,636</u>	<u>391,850</u>
Share option scheme	-	-	-	3,347	-	-	3,347
Dividends paid	-	-	-	-	-	(10,000)	(10,000)
<b>Balance at 30 September 2014</b>	<u><u>20,000</u></u>	<u><u>166,928</u></u>	<u><u>171,892</u></u>	<u><u>3,347</u></u>	<u><u>394</u></u>	<u><u>22,636</u></u>	<u><u>385,197</u></u>

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 Capital III Limited and LXL Capital IV Limited in exchange for these subsidiaries under the reorganisation of the Group in 2012.

# NOTES TO THE 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 Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (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 services.

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

### 1.2 Key Events

- (a) On 29 January 2015, the then controlling shareholder of the Company and CITIC Securities Company Limited ("CITIC Securities"), a company incorporated in the People's Republic of China, entered into a share purchase agreement (the "Share Purchase Agreement") pursuant to which CITIC Securities has agreed to acquire 1,200,000,000 shares of the Company (the "Sale Shares") from the controlling shareholder (the "Transaction"). In accordance with the Share Purchase Agreement, CITIC Securities has nominated CITIC Securities Overseas Investment Company Limited, a wholly-owned subsidiary of CITIC Securities which is incorporated in Hong Kong to purchase the full legal and beneficial ownership of the Sale Shares. Subsequent to the completion of the Transaction on 29 May 2015, CITIC Securities Overseas Investment Company Limited holds 1,200,000,000 shares of the Company, representing approximately 59.37% of the total issued share capital of the Company as at the completion date and becomes an immediate holding company of the Company.
- (b) Immediately following the completion of the Transaction, CITIC Securities had made an unconditional mandatory general cash offer to acquire all the issued shares of the Company and cancel all the outstanding options under the Share Option Scheme granted by the Company in 2014.
- (c) On 19 August 2015, the Company granted 40,000,000 share options to 95 individuals ("Grantees") for their subscription of new ordinary shares of HK\$0.01 each in the share capital of the Company.

These share options are exercisable at HK\$0.95 per share, with varying vesting period and validity from the date of grant. 35 out of 95 of the Grantees were granted share options which are exercisable for a period of three years commencing on the date of grant to 18 August 2018. 12 out of 95 of the Grantees were granted share options which are exercisable for a period of three years commencing on the date falling on the first anniversary of the date of grant to 18 August 2019, with a vesting period of one year from the date of grant. The remaining 48 Grantees were granted options which are exercisable for a period of two years commencing on the date falling on the second anniversary of the date of grant to 18 August 2019, with a vesting period of two years from the date of grant. Among the 40,000,000 share options granted, 12,200,000 share options were granted to the directors and chief executives of the Company.

## 2 BASIS OF PREPARATION

The financial information for the nine months ended 30 September 2015 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 Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. The financial information should be read in conjunction with the Company’s 2014 annual report, which has been prepared in accordance with HKFRS issued by HKICPA.

The accounting policies applied are consistent with those of adopted for the preparation of the Company’s 2014 annual report.

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	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Provision of management services	275	566	955	1,647
Fees and commission income	13,833	5,527	31,640	15,794
Interest income	270	429	1,097	1,329
Exchange gain, net	3,416	7,800	10,824	2,796
Others	1,150	35	1,339	254
	<u>18,944</u>	<u>14,357</u>	<u>45,855</u>	<u>21,820</u>

## 4 STAFF COSTS

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Salaries and allowances	24,023	7,034	54,174	22,588
Pension scheme contributions	329	226	926	618
Share option expenses	9,077	1,076	9,428	3,347
	<u>33,429</u>	<u>8,336</u>	<u>64,528</u>	<u>26,553</u>

## 5 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Management fees paid to the then immediate holding company	215	199	727	598
Management fees paid to the then fellow subsidiaries	–	75	–	224
Other office occupation expenses	519	417	1,489	1,216
Auditor's remuneration	733	755	2,211	1,971
Information services expenses	1,156	822	2,992	2,181
Professional and consultancy fee	2,986	2,484	4,259	5,664
Repair and maintenance (including system maintenance)	2,159	201	7,997	549
Marketing, advertising and promotion expenses	10,085	755	13,978	5,783
Travelling expenses	505	737	1,890	2,195
Entertainment expenses	622	278	1,672	820
Others	3,664	1,159	6,361	3,379
	<u>22,644</u>	<u>7,882</u>	<u>43,576</u>	<u>24,580</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	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax:				
Charge for the period	20,233	4,805	34,815	5,858
Others	175	–	375	–
Deferred tax:				
Charge/(credit) for the period	–	2,197	–	(83)
Income tax expense	<u>20,408</u>	<u>7,002</u>	<u>35,190</u>	<u>5,775</u>

## 7 DIVIDENDS

On 10 November 2014, the Board approved the payment of a third quarterly dividend of 2014 of HK0.675 cents per ordinary share, amounting to a total dividend of approximately HK\$13,500,000.

A final dividend in respect of the year ended 31 December 2014 of HK1.075 cents per ordinary share amounting to a total dividend of approximately HK\$21,729,000 was recommended by the Directors at the meeting of the Board held on 31 March 2015. The final dividend was approved by the Company's shareholders at its annual general meeting held on 6 May 2015 and was paid to the then shareholders of the Company on 21 May 2015.

On 6 May 2015, the Board has approved the payment of first quarterly dividend of 2015 of HK0.618 cent per ordinary share. A total of approximately HK\$12,492,000 was paid to then shareholders on 1 June 2015.

## 8 EARNINGS PER SHARE

### (a) Basic 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 during the respective periods.

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2015	2014	2015	2014
Profit attributable to equity holders of the Company (HK\$'000)	39,238	20,089	74,457	14,240
Weighted average number of ordinary shares in issue	<u>2,033,040,000</u>	<u>2,000,000,000</u>	<u>2,018,763,956</u>	<u>2,000,000,000</u>
Basic earnings per share (HK cents)	<u>1.93</u>	<u>1.00</u>	<u>3.69</u>	<u>0.71</u>

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the period attributable to equity holders of the Company. The weighted average number of ordinary share used in the calculation is the number of ordinary shares in issue during the period and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares under the share option scheme into ordinary shares.

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2015	2014 (Note)	2015	2014 (Note)
Profit attributable to equity holders of the Company (HK\$'000)	39,238	20,089	74,457	14,240
Weighted average number of ordinary shares in issue	<u>2,033,040,000</u>	<u>2,000,000,000</u>	<u>2,018,763,956</u>	<u>2,000,000,000</u>
Adjustments for share options	<u>10,151,209</u>	<u>–</u>	<u>23,959,700</u>	<u>–</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u>2,043,191,209</u>	<u>2,000,000,000</u>	<u>2,042,723,656</u>	<u>2,000,000,000</u>
Diluted earnings per share (HK cents)	<u>1.92</u>	<u>1.00</u>	<u>3.65</u>	<u>0.71</u>

*Note:*

Diluted earnings per share for the nine-month period and three-month period ended 30 September 2014 was the same as the basic earnings per share as the outstanding share options are anti-dilutive and had no dilutive effect.

## 9 APPROVAL OF FINANCIAL INFORMATION

The financial information for the nine months ended 30 September 2015 was approved and authorised for issue by the Board on 6 November 2015.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Board is pleased to present the unaudited consolidated results of the Group for the nine months ended 30 September 2015, together with the unaudited comparative figures for the corresponding period in 2014.

### **BUSINESS REVIEW**

As compared to the figures in the third quarter of 2014, the highlights in the third quarter of 2015 include, the number of new client registration increased by more than five times, clients' net deposit increased by more than three times and the trading volume increased by more than three times. Driven by the increase in business scales, total income of the Group also recorded a strong growth.

The overall volatility increased significantly in the third quarter of 2015 as compared to the same period in 2014. Commodity prices were under pressure due to economy slowdown in China. CNY exchange rate experienced a 'black swan' event, dropped by 2% after China's central bank announcing the CNY exchanged rate reform on 11 August 2015. The global stock markets were also volatile during the period due to uncertainties in the US monetary policy. With our solid and effective risk control and management, we successfully managed to ride on these storms. During the period under review, we have also seen a strong growth in profitability due to the preferred market conditions.

EUR/USD and XAU/USD were the most popular trading pairs during the third quarter of 2015, followed by the GBP/USD, AUD/USD and CHINA300.

The EUR/USD continued to be the most popular traded currency pair. The EUR/USD price was traded in the range between the highest level of 1.1710 and the lowest level of 1.0800 during the third quarter of 2015. The gold price mainly traded within a range of US\$1,170/ounce – US\$1,070/ounce during the period under review, which followed a similar pattern as the third quarter of 2014. AUD/USD price was under pressure, dropped from 0.7700 to 0.6900. Overall, the trading conditions were more favorable compared to those for the same period in 2014, with the momentum having continued throughout the third quarter in 2015.

Our clients have chances for Chinese equity market exposure by trading CHINA300 index contract for difference ('CFD'). This product was so successful that the trading volume has continued to grow significantly. In the third quarter of this year, we launched three new index-CFD products, which provided more investment opportunities to our valued clients in the global financial markets.

### **FINANCIAL PERFORMANCE**

The Group recorded total income of approximately HK\$312.0 million for the nine months ended 30 September 2015, representing an increase of approximately 165% from approximately HK\$117.6 million for the corresponding period of the previous year. The Group recorded a profit of approximately HK\$74.5 million for the nine months ended 30 September 2015 as compared to the profit of approximately HK\$14.2 million for the corresponding period in last year. The increase in both total income and profit was mainly attributed to the higher volatility and higher trading volume in the foreign exchange and commodity markets during the nine months ended 30 September 2015 as compared to those during the nine months ended 30 September 2014.



Total expenses for the nine months ended 30 September 2015 amounted to approximately HK\$200.6 million, increased by around 106% as compared to those in the same period in 2014. Such increase was mainly due to the increase in fee and commission expenses, staff costs and administrative and other operating costs as a result of increased commission rebate to services providers, increased staff entitlement and share option expenses, marketing expenses and customer promotion expenses.

## **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 or 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.

## **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 condensed consolidated results of the Group during the period under review and has provided advice and comments thereon.

## **QUARTERLY DIVIDEND**

The Board does not recommend the payment of any dividend for the period under review (2014: HK0.675 cents).

## **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, 6 November 2015

*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 Company Announcements" 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).*