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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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

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.

ANNUAL RESULTS

The board of directors (the “Board”) of the Company announces the consolidated annual results of the Group for the year ended 31 December 2015, together with comparative figures for the corresponding year of 2014.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Leveraged foreign exchange and other trading income	3	343,062	144,207
Cash dealing income	3	11,517	16,636
Fee and commission income		48,819	23,686
Other income	4	3,413	4,105
Total income		<u>406,811</u>	<u>188,634</u>
Fees and commission expenses		120,462	61,127
Staff costs	5	80,660	36,545
Depreciation and amortisation	10&11	5,401	3,138
Lease payments under land and buildings		9,300	6,462
Administrative and other operating expenses	6	60,836	33,645
Total expenses		<u>276,659</u>	<u>140,917</u>
Operating profit		130,152	47,717
Finance cost		(2,003)	(20)
Profit before tax		128,149	47,697
Income tax expense	7	(33,440)	(12,616)
Profit for the year		<u>94,709</u>	<u>35,081</u>
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation difference		(11,381)	(5,296)
Other comprehensive income for the year, net of tax		<u>(11,381)</u>	<u>(5,296)</u>
Total comprehensive income for the year		<u>83,328</u>	<u>29,785</u>
Earnings per share for profit attributable to the equity holders of the Company for the year			
– Basic (HK cents per share)	9	<u>4.68</u>	<u>1.75</u>
– Diluted (HK cents per share)	9	<u>4.65</u>	<u>1.75</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	10	9,397	7,062
Intangible assets	11	7,679	5,083
Deferred tax assets	17	1,893	947
		<u>18,969</u>	<u>13,092</u>
Current assets			
Other receivables, prepayments and deposits	12	7,064	6,590
Derivative financial instruments	13	224,859	55,544
Balances due from agents	14	41,859	12,099
Cash and bank balances and client trust bank balances	15	776,025	539,185
		<u>1,049,807</u>	<u>613,418</u>
Total current assets		<u>1,049,807</u>	<u>613,418</u>
Total assets		<u>1,068,776</u>	<u>626,510</u>
EQUITY AND LIABILITIES			
Share capital	20	20,330	20,000
Reserves		349,925	342,746
Retained earnings		95,155	29,977
		<u>465,410</u>	<u>392,723</u>
Total equity		<u>465,410</u>	<u>392,723</u>
Current liabilities			
Finance lease obligations	16	43	41
Current income tax liabilities		13,775	7,358
Other payables and accrued liabilities	18	57,363	17,158
Amounts due to other related parties		73	488
Derivative financial instruments	13	3,414	4,662
Clients' balances	19	528,059	203,874
		<u>602,727</u>	<u>233,581</u>
Non-current liabilities			
Finance lease obligations	16	19	73
Deferred tax liabilities	17	620	133
		<u>639</u>	<u>206</u>
Total liabilities		<u>603,366</u>	<u>233,787</u>
Total equity and liabilities		<u>1,068,776</u>	<u>626,510</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 is an investment holding company and its subsidiaries are principally engaged in the provision of leveraged foreign exchange and other trading, cash dealing business, and other services.

The Company's shares have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 3 July 2013.

On 29 January 2015, KVB Kunlun Holdings Limited, the then controlling shareholder of the Company, and CITIC Securities Company Limited (the "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 (the "CITIC Securities Overseas"), 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 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 the immediate holding company while CITIC Securities became the ultimate holding company of the Company.

As at 31 December 2015, 59.04% of the total issued shares of the Company are held by CITIC Securities Overseas, 14.76% of issued shares are held by KVB Kunlun Holdings Limited and the remaining 26.20% of issued shares are listed on the GEM.

As a consequence of the completion of the transaction, companies owned by KVB Kunlun Holdings Limited ceased to be the fellow subsidiaries. Accordingly, such companies are now referred to as "other related parties" throughout these financial statements and underlying supporting notes.

The financial statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company and its subsidiaries (together the "Group") have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) *New and amended standards adopted by the Group*

The following amendments to standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2015:

Amendments from annual improvements to HKFRSs – 2010 – 2012 Cycle, on HKFRS 8, 'Operating segments', HKAS 16, 'Property, plant and equipment' and HKAS 38, 'Intangible assets' and HKAS 24, 'Related party disclosures'.

Amendments from annual improvements to HKFRSs – 2011 – 2013 Cycle, on HKFRS 13, 'Fair value measurement'.

The adoption of the improvements made in the 2010-2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments has no significant impact on the financial statements of the Group.

(b) *New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKAS 9's full impact.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the executive directors and senior management of the Group. 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 sales 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 years ended 31 December 2015 and 2014.

The segment information provided to the management for the reportable segments for the years ended 31 December 2015 and 2014 is as follows:

For the year ended 31 December 2015

	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	342,917	145	11,517	-	-	-	-	354,579
Inter-segment sales	-	118,979	-	27,628	22,781	-	(169,388)	-
Segment revenue	342,917	119,124	11,517	27,628	22,781	-	(169,388)	354,579
Fee and commission income	47,413	-	-	-	-	1,406	-	48,819
Other income	2,221	-	106	-	152	934	-	3,413
Total revenue and other income	<u>392,551</u>	<u>119,124</u>	<u>11,623</u>	<u>27,628</u>	<u>22,933</u>	<u>2,340</u>	<u>(169,388)</u>	<u>406,811</u>
Segment profit	80,403	109,341	11,078	12,740	18,968	2,340		234,870
Other staff costs								(36,447)
Other unallocated administrative and operating expenses								(70,274)
Profit before tax								128,149
Income tax expense								(33,440)
Profit for the year								<u>94,709</u>
Other segment information:								
Depreciation and amortisation	-	194	-	-	-	5,207		5,401
Finance cost	1,913	-	-	-	-	90		2,003

For the year ended 31 December 2014

	New Zealand Margin dealing <i>HK\$'000</i>	Hong Kong Margin dealing <i>HK\$'000</i>	New Zealand Cash dealing <i>HK\$'000</i>	New Zealand Investment sales <i>HK\$'000</i>	Australia Investment sales <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue and other income:								
Foreign exchange and other trading income earned from external customers	144,214	(7)	16,636	-	-	-	-	160,843
Inter-segment sales	-	45,657	-	6,687	16,311	-	(68,655)	-
Segment revenue	144,214	45,650	16,636	6,687	16,311	-	(68,655)	160,843
Fee and commission income	21,057	-	-	-	153	2,476	-	23,686
Other income	180	-	46	55	153	3,671	-	4,105
Total revenue and other income	<u>165,451</u>	<u>45,650</u>	<u>16,682</u>	<u>6,742</u>	<u>16,617</u>	<u>6,147</u>	<u>(68,655)</u>	<u>188,634</u>
Segment profit/(loss)	30,295	38,914	15,516	(1,575)	11,824	6,147		101,121
Other staff costs								(19,552)
Other unallocated administrative and operating expenses								(33,872)
Profit before tax								47,697
Income tax expense								(12,616)
Profit for the year								<u>35,081</u>
Other segment information:								
Depreciation and amortisation	115	264	57	161	133	2,408		3,138
Finance cost	18	-	-	-	2	-		20

The Company is domiciled in Hong Kong. The entire Group's income from external customers is derived from its operations in New Zealand.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
New Zealand	354,434	160,850
Others	145	(7)
	<u>354,579</u>	<u>160,843</u>

The locations of its non-current assets (excluding deferred tax assets) are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	6,395	3,651
New Zealand	7,836	6,064
Australia	2,845	2,430
	<u>17,076</u>	<u>12,145</u>

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

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.

4 OTHER INCOME

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Provision of management services	1,256	2,019
Interest income	1,314	1,811
Exchange (losses)/gain, net	(1,324)	22
Handling fee rebate	1,891	–
Others	276	253
	<u>3,413</u>	<u>4,105</u>

5 STAFF COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Staff costs (including directors' remuneration)		
Salaries, bonus and allowances	69,469	31,300
Pension scheme contributions	1,289	906
Staff option expenses (<i>Note 22</i>)	9,902	4,339
	<u>80,660</u>	<u>36,545</u>

6 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Management fees paid to the then immediate holding company	983	799
Management fees paid to other related parties	–	361
Other office occupation expenses	2,216	1,619
Auditor's remuneration		
– Audit services	2,931	2,355
– Non-audit services	252	293
Information services expenses	4,584	3,024
Professional and consultancy fee	5,334	8,656
Repair and maintenance (including system maintenance)	9,138	1,819
Marketing, advertising and promotion expenses	14,140	7,807
Handling fee expenses	7,005	–
Travelling expenses	3,650	2,892
Entertainment expenses	2,651	1,089
Insurance	705	653
Clients' debit balances written off	2,388	13
Others	4,859	2,265
	<u>60,836</u>	<u>33,645</u>

7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit during the year. Taxation on overseas profits has been calculated on the estimated assessable profit during the year 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 in accordance with the local tax authorities.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax:		
Charge for the year	33,951	12,947
Over-provision in prior year	(155)	(20)
Others	225	301
Deferred tax:		
Credit for the year (<i>Note 17</i>)	(581)	(612)
Income tax expense	<u>33,440</u>	<u>12,616</u>
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before income tax	<u>128,149</u>	<u>47,697</u>
Tax at the Hong Kong statutory tax rate	21,145	7,870
Effect of different taxation rates in other countries	9,396	3,464
Income not subject to tax	(828)	(16,164)
Expenses not deductible for tax	1,630	16,243
Temporary differences not recognised	2,135	1,217
Utilization of previously unrecognized tax losses	(246)	(295)
Over-provision in prior year	(155)	(20)
Others	363	301
Income tax expense	<u>33,440</u>	<u>12,616</u>

8 DIVIDENDS

On 10 November 2014, the Board approved the payment of an interim dividend of HK\$0.675 per ordinary share, amounting to a total dividend of HK\$13,500,000. The payment was made to the shareholders of the Company on 26 November 2014.

A final dividend in respect of the year ended 31 December 2014 of HK\$1.075 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 of directors held on 31 March 2015. The final dividend was approved by the Company's shareholders at its annual general meeting held on 5 May 2015 and was paid to the then shareholders on 21 May 2015.

On 6 May 2015, the Board has approved the payment of an interim dividend of HK\$0.618 cent per ordinary share. A total of approximately HK\$12,492,000 was paid to the then shareholders on 1 June 2015.

The Board does not recommend the payment of any dividend for the year ended 31 December 2015.

9 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 year.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>94,709</u>	<u>35,081</u>
	No. of shares	No. of shares
Weighted average number of ordinary shares in issue	<u>2,022,362,301</u>	<u>2,000,000,000</u>
Basic earnings per share (HK cents)	<u><u>4.68</u></u>	<u><u>1.75</u></u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the year attributable to equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, 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.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>94,709</u>	<u>35,081</u>
	No. of shares	No. of shares
Weighted average number of ordinary shares in issue	<u>2,022,362,301</u>	<u>2,000,000,000</u>
Adjustment for share options	–	4,798,894
Adjustments for share option converted, lapsed and cancelled in the period up to 26 June 2015 (<i>Note 22</i>)	<u>13,194,493</u>	–
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u><u>2,035,556,794</u></u>	<u><u>2,004,798,894</u></u>
Diluted earnings per share (HK cents)	<u><u>4.65</u></u>	<u><u>1.75</u></u>

The effect of the share options granted on 19 August 2015 (*Note 22*) but outstanding on 31 December 2015 are not included in the computation of diluted earnings per share for the year ended 31 December 2015 as that was anti-dilutive.

10 PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2014					
Cost	8,577	9,366	8,484	3,061	29,488
Accumulated depreciation	(7,041)	(8,037)	(6,564)	(1,545)	(23,187)
Net carrying amount	<u>1,536</u>	<u>1,329</u>	<u>1,920</u>	<u>1,516</u>	<u>6,301</u>
For the year ended 31 December 2014					
Opening net carrying amount	1,536	1,329	1,920	1,516	6,301
Exchange adjustments	(29)	9	4	(37)	(53)
Additions	456	1,665	1,285	–	3,406
Depreciation	(537)	(715)	(943)	(397)	(2,592)
Closing net carrying amount	<u>1,426</u>	<u>2,288</u>	<u>2,266</u>	<u>1,082</u>	<u>7,062</u>
As at 31 December 2014					
Cost	8,632	10,620	9,330	2,937	31,519
Accumulated depreciation	(7,206)	(8,332)	(7,064)	(1,855)	(24,457)
Net carrying amount	<u>1,426</u>	<u>2,288</u>	<u>2,266</u>	<u>1,082</u>	<u>7,062</u>
For the year ended 31 December 2015					
Opening net carrying amount	1,426	2,288	2,266	1,082	7,062
Exchange adjustments	(94)	(117)	(126)	(87)	(424)
Additions	596	5,652	50	–	6,298
Depreciation	(607)	(1,324)	(1,250)	(358)	(3,539)
Closing net carrying amount	<u>1,321</u>	<u>6,499</u>	<u>940</u>	<u>637</u>	<u>9,397</u>
As at 31 December 2015					
Cost	8,334	15,104	8,761	2,668	34,867
Accumulated depreciation	(7,013)	(8,605)	(7,821)	(2,031)	(25,470)
Net carrying amount	<u>1,321</u>	<u>6,499</u>	<u>940</u>	<u>637</u>	<u>9,397</u>

11 INTANGIBLE ASSETS

	Computer software HK\$'000
As at 1 January 2014	
Cost	6,522
Accumulated amortisation	<u>(6,265)</u>
Net carrying amount	<u><u>257</u></u>
For the year ended 31 December 2014	
Opening net carrying amount	257
Exchange adjustments	22
Additions	5,350
Amortisation	<u>(546)</u>
Closing net carrying amount	<u><u>5,083</u></u>
As at 31 December 2014	
Cost	11,610
Accumulated amortisation	<u>(6,527)</u>
Net carrying amount	<u><u>5,083</u></u>
For the year ended 31 December 2015	
Opening net carrying amount	5,083
Exchange adjustments	(524)
Additions	4,982
Amortisation	<u>(1,862)</u>
Closing net carrying amount	<u><u>7,679</u></u>
As at 31 December 2015	
Cost	15,416
Accumulated amortisation	<u>(7,737)</u>
Net carrying amount	<u><u>7,679</u></u>

12 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2015 HK\$'000	2014 HK\$'000
Rental, utility and other receivables	4,825	2,817
Prepayments	1,733	1,321
Others receivables	<u>506</u>	<u>2,452</u>
Total	<u><u>7,064</u></u>	<u><u>6,590</u></u>

The carrying amounts of the Group's other receivables and deposits approximate to their fair values.

13 DERIVATIVE FINANCIAL INSTRUMENTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current assets		
Derivative foreign exchange contracts	224,859	55,544
Current liabilities		
Derivative foreign exchange contracts	(3,414)	(4,662)
Total	<u>221,445</u>	<u>50,882</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 31 December 2015 and 2014 are HK\$10,566,270,000 and HK\$2,458,651,000 respectively.

14 BALANCES DUE FROM AGENTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Balances due from:		
– securities agents	<u>41,859</u>	<u>12,099</u>

The carrying amounts of the Group's balances due from agents approximate to their fair values. The Group is free to withdraw the funds from accounts maintained with these agents at any time.

15 CASH AND BANK BALANCES AND CLIENT TRUST BANK BALANCES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cash and bank balances	371,655	318,649
Fixed deposits with banks	95,373	70,570
Client trust bank balances	<u>308,997</u>	<u>149,966</u>
	<u>776,025</u>	<u>539,185</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 statement of cash flows.

As at 31 December 2015 and 2014, fixed deposits of HK\$94,014,000 and HK\$45,497,000 respectively are pledged to banks for banking facilities. No overdraft facility was utilised by the Group as at 31 December 2015 and 2014. No bank deposits are collateral deposits by the Group placed with market makers as at 31 December 2015 (2014: Nil).

For the purposes of the consolidated cash flow statements, cash and cash equivalents comprises of the following:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cash and bank balances	371,655	318,649
Fixed deposits with bank with original maturity within three months	1,359	25,073
	373,014	343,722

16 FINANCE LEASE OBLIGATIONS

Lease liabilities are effectively secured as the rights to the lease asset revert to the lessor in the event of default.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Gross finance lease liabilities		
– minimum lease payments		
Not later than 1 year	46	47
Later than 1 year and no later than 5 years	19	73
	65	120
Future finance charges on finance leases	(3)	(6)
	62	114

The present value of finance lease liabilities is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Not later than 1 year	43	41
Later than 1 year and no later than five years	19	73
	62	114

The Group leases various vehicles under non-cancellable finance lease agreements. The lease terms are 3 to 5 years and ownership of the assets lie within the Group.

17 DEFERRED TAXATION

Deferred tax assets and liabilities are offset on an individual entity basis when there is a legal right to set off current tax assets against current tax liabilities and when the deferred taxation relates to the same authority. The following amounts, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Deferred tax assets to be recovered after more than twelve months	1,893	947
Deferred tax liabilities to be settled after more than twelve months	<u>(620)</u>	<u>(133)</u>
	<u>1,273</u>	<u>814</u>

The major components of deferred tax assets/(liabilities) recorded in the consolidated balance sheet and the movements during the year are as follows:

	Employee benefits <i>HK\$'000</i>	Depreciation <i>HK\$'000</i>	Other temporary differences <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2014	165	(149)	248	264
Exchange adjustments	(25)	13	(50)	(62)
Credit for the year	<u>229</u>	<u>3</u>	<u>380</u>	<u>612</u>
At 31 December 2014	<u>369</u>	<u>(133)</u>	<u>578</u>	<u>814</u>
At 1 January 2015	369	(133)	578	814
Exchange adjustments	(66)	13	(69)	(122)
(Charge)/credit for the year	<u>891</u>	<u>(500)</u>	<u>190</u>	<u>581</u>
At 31 December 2015	<u>1,194</u>	<u>(620)</u>	<u>699</u>	<u>1,273</u>

18 OTHER PAYABLES AND ACCRUED LIABILITIES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Accrued rental benefit	322	295
Accrued audit fees	2,041	2,261
Accruals	5,352	2,446
Commission payable	12,574	7,385
Employee entitlements	33,811	1,862
Deferred revenue	562	1,043
Other payables	<u>2,701</u>	<u>1,866</u>
	<u>57,363</u>	<u>17,158</u>

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

19 CLIENTS' BALANCES

The balances represent margin deposits received from clients and the unrealised profit or loss from their trading activities under normal course of business. The carrying amounts approximate to their fair values.

20 SHARE CAPITAL

	Number of shares in issue	Issued share capital <i>HK\$'000</i>
As at 1 January 2014 and 31 December 2014	2,000,000,000	20,000
As at 1 January 2015	2,000,000,000	20,000
Issuance of new ordinary shares upon exercise of share options (<i>Note 22</i>)	33,040,000	330
As at 31 December 2015	<u>2,033,040,000</u>	<u>20,330</u>

21 CAPITAL RESERVE

The balance represents the difference between the book value of the net assets of KVB Kunlun New Zealand Limited, KVB Kunlun Pty Limited 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 as part of the reorganisation completed in 2012.

22 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 were 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 were granted share options which were exercisable for a period of three years and a vesting period of one year from the date of grant. 28 remaining Grantees were granted share options which were 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 had 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 had 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 as at 31 December 2014	Forfeited during the year	Exercised during the year	Lapsed/ Cancelled during the year (Note (a))	Outstanding as at 31 December 2015	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	18,140,000	-	(16,920,000)	(1,220,000)	-	0.414	10 January 2015 to 9 January 2018
Employees of group companies	10 January 2014	2,270,000	(50,000)	-	(2,220,000)	-	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	1,750,000	-	-	(1,750,000)	-	0.414	10 January 2016 to 9 January 2018
		<u>38,280,000</u>	<u>(50,000)</u>	<u>(33,040,000)</u>	<u>(5,190,000)</u>	<u>-</u>		

(a) Cancellation

Subsequent to the acquisition of approximately 60% of the ordinary shares of the Company by CITIC Securities Company Limited, as mentioned in Note 1 to the consolidated financial statements, an unconditional mandatory general cash offer was made by CITIC Securities to the then holders of outstanding options issued by the Company on 29 May 2015 pursuant to Rules 26.1 and 13.5 of the Hong Kong Code on Takeovers and Mergers at a consideration of HK\$0.236 of each of the respective share options for cancellation of the outstanding options (the "Offer"). The offer was closed on 26 June 2015.

Out of the 16,910,000 outstanding share options on 29 May 2015, 12,940,000 options were exercisable and 3,970,000 remain unvested. Subsequent to 29 May 2015:

- 11,720,000 vested options were exercised at a price of HK\$0.414 prior to the Offer closing date;
- the share option holders of 520,000 vested options and 3,870,000 unvested options accepted the offer and received cash consideration made by CITIC Securities at HK\$0.236 per option;
- for the remaining 700,000 vested options remaining unexercised and 100,000 unvested options which the share option holders hereof did not accept the Offer, these options were automatically lapsed and are not exercisable after 29 June 2015, being one month after the Offer becomes or is declared unconditional;

The share option expenses of the unvested share options amounting to HK\$131,000 were recognised immediately to the consolidated statement of comprehensive income, and the corresponding share option reserves balance of HK\$638,000 was transferred to the retained earnings during the current period.

(b) Valuation of options granted

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 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.

Share option expenses of HK\$351,000 were charged during the year, which included HK\$131,000 arising from the unvested options cancelled during the period (Note (a)), to the consolidated statement of comprehensive income.

On 19 August 2015, the Board of Directors of 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.

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 as at 31 December 2014	Granted during the period	Forfeited during the period	Exercised during the period	Outstanding As at 31 December 2015	Exercise price HK\$	Exercise period
Liu Stefan	19 August 2015	-	8,300,000	-	-	8,300,000	0.95	19 August 2015 to 18 August 2018
Ng Chee Hung Frederick	19 August 2015	-	2,000,000	-	-	2,000,000	0.95	19 August 2015 to 18 August 2018
Stephen Gregory McCoy	19 August 2015	-	1,000,000	-	-	1,000,000	0.95	19 August 2015 to 18 August 2018
Zhao Guixin	19 August 2015	-	300,000	-	-	300,000	0.95	19 August 2015 to 18 August 2018
Corenlis Jacobus Keyser	19 August 2015	-	300,000	-	-	300,000	0.95	19 August 2015 to 18 August 2018
Lin Wenhui	19 August 2015	-	300,000	-	-	300,000	0.95	19 August 2015 to 18 August 2018
Employees of group companies	19 August 2015	-	16,800,000	(100,000)	-	16,700,000	0.95	19 August 2015 to 18 August 2018
Employees of group companies	19 August 2015	-	1,250,000	-	-	1,250,000	0.95	19 August 2016 to 18 August 2019
Employees of group companies	19 August 2015	-	8,000,000	(1,260,000)	-	6,740,000	0.95	19 August 2017 to 18 August 2019
Consultants	19 August 2015	-	950,000	-	-	950,000	0.95	19 August 2016 to 18 August 2019
Consultants	19 August 2015	-	800,000	-	-	800,000	0.95	19 August 2017 to 18 August 2019
		<u>-</u>	<u>40,000,000</u>	<u>(1,360,000)</u>	<u>-</u>	<u>38,640,000</u>		

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 19 August 2015 was as follows:

Weighted average share option price at the grant date:	HK\$0.3246
Risk free interest rate:	0.821%
Expected volatility:	59.08%
Expected dividend yield:	1.63%
Expected exercise multiple:	Directors: 2.8x exercise price Others: 2.2x exercise price

The measurement date of the share options was 19 August 2015, 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.

A total of HK\$9,551,000 share option expenses were recognised in the consolidated statement of comprehensive income during the current year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL PERFORMANCE

Business review

During the year under review, we achieved a very strong growth in profitability due to the improving market conditions. Trading conditions were more favorable as the overall volatility returned in foreign exchange and commodity markets compared to the multi-year low in the year of 2014. We have seen significant growth in the business, in terms of revenue, trading volumes, and profit. Despite a volatile movement in the global markets, with our solid and effective risk management we successfully tided over many financial storms during the year of 2015. The market momentum also uplifted the number of new clients and the clients' net deposits experienced a large amount of increase. With the improving business conditions, our financial outcomes were very impressive in the year of 2015.

EUR/USD and XAU/USD were the most popular trading products during the year under review, followed by GBP/USD, AUD/USD and CHINA300. CHINA300 CFD trading became very popular, such that the trading volume continued to grow significantly during the year. In FX category, EUR/USD, GBP/USD and AUD/USD are the top three pairs in term of trading volumes. EUR/USD price experienced a down trend during the year. The EUR/USD price range was 1.2100 high and 1.0450 low. GBP/USD was trading in the range of 1.5920 high to 1.4560 low. AUD/USD also experienced a down trend, trading in the range of 0.8290 high to 0.6890 low. XAU/USD and Crude oil were the two most traded products in the commodity category. Commodity prices were constantly under pressure during the year due to the China economy slowdown. Crude oil price dropped to \$37 USD/barrel at the year end, the price range was 62.50 high and 34.50 low during the year. Meanwhile, gold was traded in the range of \$1,307-\$1,046 USD/ounce.

The year of 2015 was a successful, challenging and exciting year for the Group. We are very proud of the achievement made during the year. We launched three new index-CFD products this year, in order to meet the demands of our clients and provide more investment opportunities to our valued clients in the global financial markets.

Total income

The total income of the Group increased by approximately 115.7% to approximately HK\$406.8 million for the year ended 31 December 2015 from approximately HK\$188.6 million for the year ended 31 December 2014.

A. *Leveraged foreign exchange and other trading income*

The leveraged foreign exchange and other trading income of the Group increased by approximately 137.9% to approximately HK\$343.1 million for the year ended 31 December 2015 from approximately HK\$144.2 million for the year ended 31 December 2014. This is mainly due to the higher trading volume and market volatility during the year ended 31 December 2015 as compared to the year ended 31 December 2014.

B. *Cash dealing income*

The cash dealing income of the Group decreased by approximately 30.8% from approximately HK\$16.6 million for the year ended 31 December 2014 to HK\$11.5 million for the year ended 31 December 2015. The decrease was mainly attributable to the lower trading volume, especially after the China share market crisis during the middle of the year, the risk and volatility of markets increased significantly, as a result, KVB adopted a more conservative trading strategy in the cash dealing business.

C. *Fee and commission income*

The fees and commission income of the Group increased from approximately HK\$23.7 million for the year ended 31 December 2014 to approximately HK\$48.8 million for the year ended 31 December 2015. The increase was mainly due to increase in trading volume.

D. *Other Income*

During the year ended 31 December 2015, the Group recorded an exchange loss of approximately HK\$1.3 million while there was an exchange gain of approximately HK\$0.2 million during the year ended 31 December 2014. This was mainly due to the year-end translation of monetary assets denominated in foreign currency into local reporting currency by KVB Kunlun New Zealand Limited, a wholly-owned subsidiary of the Company.

The management fee income of the Group decreased to approximately HK\$1.3 million for the year ended 31 December 2015 from approximately HK\$2.0 million for the year ended 31 December 2014. This is mainly due to the Group no longer receiving management fee income from KVB Kunlun Holdings Limited and its subsidiaries which do not belong to the Group (collectively, the “Non-Listed Group”) as a result of further business separation from the Non-Listed Group.

Fees and commission expenses

The fees and commission expenses of the Group increased by approximately 97.1% to approximately HK\$120.5 million for the year ended 31 December 2015 from approximately HK\$61.1 million for the year ended 31 December 2014. The increase was mainly due to increase in the trading volume of clients referred by service providers.

Staff costs

The staff costs of the Group increased to approximately HK\$80.7 million for the year ended 31 December 2015 from approximately HK\$36.5 million for the year ended 31 December 2014. The increase was mainly due to increase in staff entitlement and expenses recognised in respect of staff share option.

Depreciation and amortization

Depreciation and amortization increased by approximately 72.1% to approximately HK\$5.4 million for the year ended 31 December 2015 from approximately HK\$3.1 million for the year ended 31 December 2014. The increase was mainly due to the upgrade of computer software and the newly capitalized office equipment for the year under review.

Lease payments under land and buildings

Lease payments under land and buildings increased by approximately 43.9% to approximately HK\$9.3 million for the year ended 31 December 2015 from approximately HK\$6.5 million for the year ended 31 December 2014. The increase was mainly due to the increase rental expenses in Hong Kong office, as it no longer share office space with other companies in the non-listing group and also the Zhuhai office rented a new office since October 2015.

Administrative and other operating expenses

The administrative and other operating expenses of the Group increased to approximately HK\$60.8 million for the year ended 31 December 2015 from approximately HK\$33.6 million for the year ended 31 December 2014. This increase was primarily due to the increase in marketing expenses by approximately HK\$6.3 million during the year ended 31 December 2015 as compared with the year ended 31 December 2014 as the result of special marketing event sponsored in 2015. Customer promotion expenses also increased by approximately HK\$7.0 million during the year ended 31 December 2015 as compared with the year ended 31 December 2014 as the result of active promotion activities occurred in 2015.

Net profit and net profit margin

For the reasons set forth above, the Group achieved a net profit of approximately HK\$94.7 million for the year ended 31 December 2015 compared with the net profit of approximately HK\$35.1 million for the year ended 31 December 2014. The net profit margin for the year ended 31 December 2015 was approximately 23.3%.

In summary, the increase in profitability of the Group was primarily contributed by:

- higher market volatility and higher trading volume which resulted in higher leveraged foreign exchange and other trading income.
- higher transaction volume resulting in higher fee and commission income.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2015, cash and bank balances held by the Group amounted to HK\$467.0 million (2014: HK\$389.2 million).

GEARING RATIO

The gearing ratio calculated on the basis of net debts (financial lease obligation and amounts due to other related parties) over the total shareholders' fund as at 31 December 2015 was approximately 0.03% (2014: 0.15%).

FOREIGN CURRENCY EXPOSURE

During the year under review, the Group recorded an exchange loss of approximately HK\$1.3 million (2014: approximately gain of HK\$0.2 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 USD and the exchange rate of USD/NZD changed from approximately 1.2760 as at 31 December 2014 to 1.4611 as at 31 December 2015. The foreign currency risk is managed proactively by regular review of the currency positions in the basket of currency mix. In order to minimize the exposure of the Group to risk, the Group has hedge strategy based on prevailing market conditions and working capital requirements of sub-companies.

CAPITAL STRUCTURE

During the year 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

The Group launched an offshore China Stock Index (CHINA-A50), US Nasdaq100 Index(NQ100), European DAX Index(DX30) and introduced a new commodity product, namely Rubber contracts for difference (CFD).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES DURING THE PERIOD UNDER REVIEW

During the year ended 31 December 2015, the Group did not have any material acquisitions and disposals.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group engaged a total of 89 employees (2014: 64). Total staff costs including Directors' remuneration for the period under review amounting to approximately HK\$80.7 million (2014: HK\$36.5 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.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2015, certain bank balances of the Group amounting to approximately HK\$94.0 million were used to secure the banking facilities and the office lease bonds. As at 31 December 2015, the Group did not have any material contingent liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The future investment plans of the Group are detailed in the sub-section headed "Business objectives and future plans" in the prospectus of the Company dated 11 June 2013 (the "Prospectus").

We plan to:

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

The source of funding for these investment plans is from the net proceeds of the Placing of approximately HK\$125.3 million. Our Directors presently intend that the net proceeds will be applied as follows:

	Intended amount HK\$'000	Intended usage up to 31 December 2015 HK\$'000	Actual approximate utilized up to 31 December 2015 HK\$'000
Expansion of operations in the worldwide overseas Chinese and Japanese communities	36,000	36,000	12,558
Increase in the range of our financial services and products	35,000	35,000	–
Further upgrade of our online trading platform	28,000	28,000	18,290
Strategic growth through mergers and acquisitions	21,000	21,000	–

During the year under review, the Group had developed new financial services and products through internally generated funding.

The Group spent HK\$10.6 million in 2015 to revamp the network in order to keep on improving the efficiency, security, availability and manageability of the online trading platform.

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 year under review, which is significant in relation to the business of the Group.

DIRECTORS' COMPETING INTERESTS

During the year 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 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, risk management 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 met with the external auditor of the Group and has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of this announcement and financial statements of the Group for the year ended 31 December 2015.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2015.

EVENTS AFTER THE REPORTING PERIOD

There were no major subsequent events since the end of the reporting year and up to the date of this annual report.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 10 May 2016 to Thursday, 12 May 2016, both days inclusive, during the period no transfers of shares of the Company will be registered. In order to qualify for attending and voting at the 2016 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, at the following address: (with effect from 5 April 2016: Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong; on or before 4 April 2016: A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong) for registration by no later than 4:00 p.m. on Monday, 9 May 2016.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules throughout the year under review.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 December 2015, 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, 18 March 2016

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, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquires, 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.

This announcement will remain on the GEM website at 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.