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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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2016

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.

FIRST QUARTERLY RESULTS

The board (the “Board”) of Directors announces the unaudited consolidated first quarterly results of the Group for the three months ended 31 March 2016.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2016

		Unaudited	
		Three months ended 31 March	
		2016	2015
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Leveraged foreign exchange and other trading income		90,761	41,936
Cash dealing income		2,207	3,892
Fee and commission income		15,129	7,745
Other (losses)/income	3	(2,289)	2,610
Total income		105,808	56,183
Fees and commission expenses		34,751	19,482
Staff costs	4	19,687	9,758
Depreciation and amortisation		1,794	1,217
Lease payments under land and buildings		2,790	1,990
Administrative and other operating expenses	5	12,015	7,263
Total expenses		71,037	39,710
Operating profit		34,771	16,473
Finance cost		(15)	(42)
Profit before tax		34,756	16,431
Income tax expense	6	(10,320)	(3,849)
Profit for the period		24,436	12,582
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation difference		3,933	(4,795)
Other comprehensive income for the period, net of tax		3,933	(4,795)
Total comprehensive income for the period		28,369	7,787
Earnings per share for profit attributable to the equity holders of the Company for the period			
– Basic (HK cents per share)	8	1.20	0.63
– Diluted (HK cents per share)	8	1.20	0.63

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2016

	Unaudited						
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Currency translation reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1 January 2016	20,330	180,276	171,892	9,551	(11,794)	95,155	465,410
Comprehensive income							
Profit for the period	-	-	-	-	-	24,436	24,436
Other comprehensive income for the period	-	-	-	-	3,933	-	3,933
	<u>20,330</u>	<u>180,276</u>	<u>171,892</u>	<u>9,551</u>	<u>(7,861)</u>	<u>119,591</u>	<u>493,779</u>
Share option scheme	-	-	-	408	-	-	408
Issuance of new ordinary shares upon exercise of share option	2	188	-	(60)	-	60	190
Balance at 31 March 2016	<u><u>20,332</u></u>	<u><u>180,464</u></u>	<u><u>171,892</u></u>	<u><u>9,899</u></u>	<u><u>(7,861)</u></u>	<u><u>119,651</u></u>	<u><u>494,377</u></u>

	Unaudited						
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve 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
Comprehensive income							
Profit for the period	-	-	-	-	-	12,582	12,582
Other comprehensive income for the period	-	-	-	-	(4,795)	-	(4,795)
	<u>20,000</u>	<u>166,928</u>	<u>171,892</u>	<u>4,339</u>	<u>(5,208)</u>	<u>42,559</u>	<u>400,510</u>
Share option scheme	-	-	-	168	-	-	168
Balance at 31 March 2015	<u><u>20,000</u></u>	<u><u>166,928</u></u>	<u><u>171,892</u></u>	<u><u>4,507</u></u>	<u><u>(5,208)</u></u>	<u><u>42,559</u></u>	<u><u>400,678</u></u>

NOTES TO THE FINANCIAL INFORMATION

1 CORPORATE 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 since 3 July 2013.

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

2 BASIS OF PREPARATION

The financial information for the three months ended 31 March 2016 has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and the applicable disclosure requirements of the GEM Listing Rules. The financial information should be read in conjunction with the Company's 2015 annual report, which has been prepared in accordance with HKFRSs.

The accounting policies applied are consistent with those adopted to prepare to the Company's 2015 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 three months period that could be expected to have a material impact on this Group.

3 OTHER (LOSSES)/INCOME

	Unaudited	
	Three months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Provision of management services	–	329
Interest income	447	404
Exchange (losses)/gain, net	(3,325)	1,877
Handling fee rebate	303	–
Others	286	–
	<u> </u>	<u> </u>
	(2,289)	2,610
	<u> </u>	<u> </u>

4 STAFF COSTS

	Unaudited	
	Three months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Salaries, bonus and allowances	18,923	9,289
Pension scheme contributions	356	301
Share option expenses	408	168
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	19,687	9,758
	<hr/> <hr/>	<hr/> <hr/>

5 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Unaudited	
	Three months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Management fees paid to the then immediate holding company	216	256
Other office occupation expenses	721	486
Auditor's remuneration		
– Audit services	607	548
– Non-audit services	52	98
Information services expenses	899	736
Professional and consultancy fee	547	2,065
Repair and maintenance (including system maintenance)	1,154	384
Marketing, advertising and promotion expenses	2,722	1,043
Handling fee expenses	2,533	264
Travelling expenses	683	516
Entertainment expenses	170	307
Insurance	202	123
Clients' debit balances written off	110	160
Others	1,399	277
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	12,015	7,263
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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 31 March	
	2016	2015
	HK\$'000	HK\$'000
Current tax:		
Charge for the period	10,257	3,767
Others	63	82
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Income tax expense	10,320	3,849
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7 DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2016 (for the three months ended 31 March 2015: HK0.618 cent per ordinary share).

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 31 March	
	2016	2015
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	24,436	12,582
Weighted average number of ordinary shares in issue	2,033,196,044	2,000,000,000
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Basic earnings per share (HK cents)	1.20	0.63
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(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 shares 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 31 March	
	2016	2015
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	24,436	12,582
Weighted average number of ordinary shares in issue	2,033,196,044	2,000,000,000
Adjustments for share options	–	11,057,172
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u>2,033,196,044</u>	<u>2,011,057,172</u>
Diluted earnings per share (HK cents)	<u>1.20</u>	<u>0.63</u>

Note: Diluted earnings per share for the three months ended 31 March 2016 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 three months ended 31 March 2016 was approved and authorised for issue by the Board on 12 May 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the first quarter in 2016, we have seen a significant growth in revenue. The total trading volume, new clients' account registration and net deposits were still growing, by comparing to the figures of those in the first quarter in 2015. Trading conditions were favorable as the overall market volatility was relatively high throughout the first three months in 2016.

XAUUSD was the mostly traded product, followed by USCRUDE, CHINA300 and EURUSD. Commodity and index-CFD products became more popular in the first quarter of 2016. The trading volumes in USCRUDE and CHINA300 experienced a more than double growth by comparing to the trading volumes in the first quarter in 2015.

The high and low points for USCRUDE were 26.06 and 42.50, with the range of 16.44 dollar/barrel, compared to the range of 13 dollar/barrel in the first quarter of 2015. CHINA300 were trading at highest of 3,656 and lowest of 2,751, within a range of 905 index points in the first three months of 2016, compared to 911 index-points range in the first quarter of 2015. Trading range of XAUUSD was wider in the first quarter of 2016 than the first quarter of 2015. The range was 220.83 dollar/ounce with the high and low points at 1,283.04 and 1,062.21, respectively, in the first quarter of 2016. During the same time period in 2015, the price range of XAUUSD was 164.72 dollar/ounce. EURUSD price range was 700-pips, with the high of 1.1410 and the low of 1.0710 in the first quarter of 2016. The range was much narrower by comparing to a range of 1,645-pips the first quarter of 2015.

The retail margin foreign exchange trading market is highly competitive. These include international multi-product trading firms, online trading firms and other financial institutions. We expect the market remains at a high level of competition in the coming year and the foreseeable future. On the latter objective, we are specifically seeking to broaden our CFD trading products. We will launch new trading products in the second quarter of 2016 to meet the needs of our clients and provide more trading opportunities in the global financial markets. In addition, we are also seeking potential opportunities in commodities trading business in the PRC market.

Financial Performance

The Group recorded a total income of approximately HK\$105.8 million for the three months ended 31 March 2016, an 88% increase from approximately HK\$56.2 million for the corresponding period in 2015. The Group recorded a profit of approximately HK\$24.4 million for the three months ended 31 March 2016 compared to the profit of approximately HK\$12.6 million for the same period last year. The main contributors to increase in both total income and profit are: 1) higher volatility in the foreign exchange, commodity and index markets; 2) higher trading volume during the three months ended 31 March 2016 compared to the same period last year.

Total expenses for the three months ended 31 March 2016 amounted to approximately HK\$71.0 million, increased by 79% as compared to the same period in 2015. Such increases are mainly due to the increase in 1) fees and commission expenses which is in line with the trend of the increase in trading volume of our clients introduced by service providers; 2) staff costs, which is caused by increased staff salaries and number of headcounts; 3) depreciation and amortization cost, caused by new assets capitalization in late 2015; 4) lease payments which is caused by the increased rental expenses in Hong Kong office, as it no longer shares office space with other companies in the non-listing group and also the Zhuhai office rented a new office since October 2015, and 5) administrative expenses increased is caused by increased marketing expenses, customer promotion expenses, system maintenance and staff training expenses compared with the same period in 2015.

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

As confirmed by Quam Capital Limited, the then 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 three months ended 31 March 2016, which is significant in relation to the business of the Group.

DIRECTORS' COMPETING INTERESTS

During the three months ended 31 March 2016, 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 an audit committee (the "Audit Committee") 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 reviewed the unaudited condensed consolidated results of the Group during the three months ended 31 March 2016 and has provided advice and comments thereon.

QUARTERLY DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2016 (for the three months ended 31 March 2015: HK0.618 cent per ordinary share).

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

During the three months ended 31 March 2016, 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, 12 May 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.