

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 2017

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 of the Stock Exchange (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 is pleased to present the condensed third quarterly results of the Group for the nine months ended 30 September 2017, together with the unaudited comparative figures for the corresponding period in 2016.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2017

		Unaudited		Unaudited	
		Three months ended		Nine months ended	
		30 September		30 September	
		2017	2016	2017	2016
<i>Note</i>		HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Leveraged foreign exchange and other trading income		144,563	54,363	302,528	215,384
Cash dealing income		661	868	645	3,787
Fee and commission income		33,324	13,954	70,713	42,905
Other income/(losses)	3	2,968	(2,579)	4,740	(5,899)
		181,516	66,606	378,626	256,177
		96,119	43,487	210,889	113,959
Referral expenses and other charges		96,119	43,487	210,889	113,959
Staff costs	4	20,024	10,127	45,019	43,646
Depreciation and amortisation		3,184	1,984	9,348	5,634
Lease payments under land and buildings		3,287	3,380	10,123	8,937
Administrative and other operating expenses	5	29,829	14,076	65,840	43,093
		152,443	73,054	341,219	215,269
Total expenses		152,443	73,054	341,219	215,269
Operating profit/(loss)		29,073	(6,448)	37,407	40,908
Finance cost		(68)	(421)	(1,224)	(441)
Profit/(loss) before tax		29,005	(6,869)	36,183	40,467
Income tax (expense)/credit	6	(3,981)	3,975	(8,070)	(9,333)
Profit/(loss) for the period		25,024	(2,894)	28,113	31,134
		24,406	(1,516)	34,227	37,878
Other comprehensive income		24,406	(1,516)	34,227	37,878
<i>Items that may be reclassified to profit or loss</i>					
Currency translation difference		(618)	1,378	6,114	6,744
Other comprehensive income for the period, net of tax		(618)	1,378	6,114	6,744
Total comprehensive income for the period		24,406	(1,516)	34,227	37,878
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company for the period					
– Basic (HK cents per share)	8	1.23	(0.14)	1.38	1.53
– Diluted (HK cents per share)	8	1.23	(0.14)	1.38	1.53

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i> <i>(Note)</i>	Unaudited Share option reserve <i>HK\$'000</i>	Currency translation reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2017	20,332	180,464	171,892	17,692	(9,766)	133,903	514,517
Comprehensive income							
Profit for the period	-	-	-	-	-	28,113	28,113
Other comprehensive income for the period	-	-	-	-	6,114	-	6,114
	<u>20,332</u>	<u>180,464</u>	<u>171,892</u>	<u>17,692</u>	<u>(3,652)</u>	<u>162,016</u>	<u>548,774</u>
Total transactions with owners, recognised directly in equity:							
Share option scheme	-	-	-	985	-	331	1,316
Balance at 30 September 2017	<u><u>20,332</u></u>	<u><u>180,464</u></u>	<u><u>171,892</u></u>	<u><u>18,677</u></u>	<u><u>(3,652)</u></u>	<u><u>162,347</u></u>	<u><u>550,060</u></u>
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i> <i>(Note)</i>	Unaudited Share option reserve <i>HK\$'000</i>	Currency translation reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2016	20,330	180,276	171,892	9,551	(11,794)	95,155	465,410
Comprehensive income							
Profit for the period	-	-	-	-	-	31,134	31,134
Other comprehensive income for the period	-	-	-	-	6,744	-	6,744
	<u>20,330</u>	<u>180,276</u>	<u>171,892</u>	<u>9,551</u>	<u>(5,050)</u>	<u>126,289</u>	<u>503,288</u>
Total transactions with owners, recognised directly in equity:							
Share option scheme	-	-	-	760	-	-	760
Issue of new ordinary shares upon exercise of share option	2	188	-	(60)	-	60	190
Balance at 30 September 2016	<u><u>20,332</u></u>	<u><u>180,464</u></u>	<u><u>171,892</u></u>	<u><u>10,251</u></u>	<u><u>(5,050)</u></u>	<u><u>126,349</u></u>	<u><u>504,238</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 (the "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.

On 29 January 2015, CITIC Securities Company Limited (the "CITIC Securities"), a company incorporated in the People's Republic of China, has agreed to acquire 1,200,000,000 shares of the Company (the "Sale Shares") from the controlling shareholder, KVB Kunlun Holdings Limited (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, 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 becomes the ultimate holding company of the Company.

As at 30 September 2017, 59.03% of the total issued shares of the Company are held by CITIC Securities Overseas, 14.75% of issued shares are held by KVB Kunlun Holdings Limited and the remaining 26.22% of issued shares are held by public.

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

1.2 Significant event

On 2 June 2017, the Group received a notice from Tianjin Precious Metals Exchange Limited ("TPME") that it will adjust its precious metals spot trading business with a view to reduce the trading risks, and it will suspend the opening of new trading positions for all spot commodities traded on the exchange with effect from 12 June 2017 (the "Suspension"). The closing of existing trading positions will not be affected.

As a result of the Suspension, other than the closing of existing positions, the Group will no longer be able to generate revenue from the spot trading business in precious metals on the TPME after 12 June 2017. The Group has not been informed when or if the Suspension will be lifted as at the reporting date.

2 BASIS OF PREPARATION

The financial information for the nine months ended 30 September 2017 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 annual financial statements for the year ended 31 December 2016, which has been prepared in accordance with HKFRS issued by HKICPA.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016.

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.

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

3 OTHER INCOME/(LOSSES)

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	574	528	2,017	1,375
Exchange gain/(losses), net	2,370	(3,126)	2,936	(8,133)
(Loss)/gain on disposal of fixed assets	20	–	(435)	–
Others	4	19	222	859
	<u>2,968</u>	<u>(2,579)</u>	<u>4,740</u>	<u>(5,899)</u>

4 STAFF COSTS

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs:				
Salaries and allowances	19,331	9,785	42,693	41,883
Pension scheme contributions	342	338	1,010	1,003
Share option expenses	351	4	1,316	760
	<u>20,024</u>	<u>10,127</u>	<u>45,019</u>	<u>43,646</u>

5 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Management fees paid to the then immediate holding company	166	214	497	645
Other office occupation expenses	758	773	2,366	2,237
Auditor's remuneration				
– Audit services	744	1,079	2,222	2,297
– Non-audit services	166	118	487	224
Information services expenses	1,845	615	4,241	2,599
Professional and consultancy fee	4,679	672	6,981	2,514
Repair and maintenance (including system maintenance)	3,697	1,595	9,738	6,971
Marketing, advertising and promotion expenses	5,512	2,975	14,383	8,792
Handling fee expenses	7,940	2,426	15,574	7,525
Travelling expenses	1,010	949	2,673	2,809
Entertainment expenses	173	472	514	921
Insurance	268	176	580	529
Clients' debit balances written off	15	155	162	493
Staff training	30	11	371	874
Others	2,826	1,846	5,051	3,663
	<u>29,829</u>	<u>14,076</u>	<u>65,840</u>	<u>43,093</u>

6 INCOME TAX EXPENSE/(CREDIT)

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% (2016: 28%) in New Zealand, 30% (2016: 30%) in Australia and 25% (2016: 25%) in PRC respectively in accordance with the local tax authorities.

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax:				
Charge/(credit) for the period	3,857	(4,038)	7,761	9,146
Others	124	63	309	187
	<u>3,981</u>	<u>(3,975)</u>	<u>8,070</u>	<u>9,333</u>

7 DIVIDENDS

The Board does not declare the payment of any dividend for the nine months ended 30 September 2017 (for the nine months ended 30 September 2016: Nil).

8 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) attributable to equity holders of the Company	<u>25,024</u>	<u>(2,894)</u>	<u>28,113</u>	<u>31,134</u>
	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares in issue	<u>2,033,240,000</u>	<u>2,033,240,000</u>	<u>2,033,240,000</u>	<u>2,033,225,401</u>
Basic earnings/(loss) per share (HK cents)	<u>1.23</u>	<u>(0.14)</u>	<u>1.38</u>	<u>1.53</u>

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the profit/(loss) 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	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Profit/(loss) attributable to equity holders of the Company	<u>25,024</u>	<u>(2,894)</u>	<u>28,113</u>	<u>31,134</u>
	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares in issue	<u>2,033,240,000</u>	2,033,240,000	<u>2,033,240,000</u>	2,033,225,401
Adjustments for share options	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Weighted average number of shares for the purpose for calculating diluted earnings/(loss) per share	<u>2,033,240,000</u>	<u>2,033,240,000</u>	<u>2,033,240,000</u>	<u>2,033,225,401</u>
Diluted earnings/(loss) per share (HK cents)	<u><u>1.23</u></u>	<u><u>(0.14)</u></u>	<u><u>1.38</u></u>	<u><u>1.53</u></u>

Note:

Diluted earnings/(loss) per share for the nine-month period and three-month period ended 30 September 2016 and 30 September 2017 was same as the basic earnings/(loss) 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 2017 was approved and authorised for issue by the Board on 8 November 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the nine months ended 30 September 2017, as the overall volatility was reduced in the foreign exchange (“FX”) and commodity markets, we experienced a period of unfavorable trading conditions. This resulted in a decrease in gross trading revenue. However, new client registrations and the total clients’ trading volume increased during the period under review, compared to the figures of the first three quarters of 2016.

XAU/USD was the mostly traded product, followed by EUR/USD, USD/JPY, USCRUDE and GBP/USD.

During the first nine months of 2017, gold traded within a price range of \$211.40 USD/ounce. The highest price of Gold was traded at \$1,357.60 USD/ounce and the lowest at \$1,146.20 USD/ounce under the period of review. The price range of Gold is much narrower by compared with the same period in 2016. In the first nine months of 2016, the price range of Gold was \$313.40 USD/ounce, the highest at \$1,375.30 USD/ounce, and the lowest at \$1,061.90 USD/ounce. Crude Oil was traded at the highest price of \$55.20 USD/barrel and the lowest at \$42.05 USD/barrel in first nine months of 2017, within a price range of \$13.20 USD/barrel. The price range in the same period of 2016 was \$25.60 USD/barrel, USCRUDE was traded at the highest price of \$51.64 USD/barrel and the lowest at \$26.04 USD/barrel.

In the currency market, the price of the EUR/USD was traded in a wider price range in the first nine months of 2017, compared with the movement in the same period in 2016. The highest and the lowest level of the EUR/USD were seen to be 1.2093 and 1.0340 respectively, a nearly 1,753-pips trading range in the first nine months of 2017, compared to the movement of the price in first nine months of 2016 presented a nearly 906-pips trading range, the highest was 1.1616 and the lowest was 1.0710.

The retail margin FX trading market is highly competitive. Our competitors include international multi-product trading firms, other online trading firms, and other financial institutions. We expect the market remains at a high level of competition for the rest of this year and the foreseeable future. Looking forward, we are specifically seeking to improve our standard of service and meet the demand of our clients, provide more trading opportunities in the global financial markets.

The Company submitted a formal application to the Stock Exchange on 30 August 2017 for the proposed transfer of listing of the shares of the Company from GEM to Main Board of the Stock Exchange pursuant to Chapter 9A of the Rules Governing the Listing of Securities on the Stock Exchange and relevant provisions of the GEM Listing Rules. Shareholders of the Company and potential investors should be aware that the implementation of the proposed transfer of listing is subject to, among others, the granting of relevant approval by the Stock Exchange. Accordingly, there is no assurance that permission will be obtained from the Stock Exchange for the proposed transfer of listing.

The application is being considered by the Stock Exchange, and details of the proposed transfer of listing are set out in the Company's announcement "Proposed transfer of the listing from the Growth Enterprise Market to the Main Board of the Stock Exchange" dated 30 August 2017.

Financial Performance

The Group recorded a total income of approximately HK\$378.6 million for the nine months ended 30 September 2017, representing an increase of approximately 47.8% from approximately HK\$256.2 million for the corresponding period in 2016. The Group recorded a profit of approximately HK\$28.1 million for the nine months ended 30 September 2017 compared to the profit of approximately HK\$31.1 million for the same period last year. Due to an increase in trading volume for the nine months ended 30 September 2017 compared to the same period last year, there was an increase in total income. Notwithstanding the above, there was a decrease in the net profit, which was mainly due to low volatility in the foreign exchange, commodity and index markets during the nine months ended 30 September 2017 compared to the same period last year.

Total expenses for the nine months ended 30 September 2017 amounted to approximately HK\$341.2 million, increased by around 58.5% as compared to the same period in 2016. Such increases were mainly due to 1) increase in referral expenses and other charges, mainly caused by increased commission rebate to external parties (including margin business and PRC operations); 2) increase in depreciation and amortisation costs, mainly caused by new assets capitalisation from late 2016; and 3) increase in administrative expenses, mainly caused by increased marketing expenses, regulatory and compliance expenses, computer services expenses and customer promotion expenses.

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

As confirmed by Lego Corporate Finance Limited, the compliance adviser of the Company, none of Lego Corporate Finance Limited or its directors, employees and close associates (as defined under the GEM Listing Rules) is materially interested in any contract or arrangement during the nine months ended 30 September 2017, which is significant in relation to the business of the Group.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S COMPETING INTERESTS

As at 30 September 2017, none of the Directors or the controlling shareholder of the Company or their respective close 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.

REVIEW OF FINANCIAL STATEMENTS

The Company 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 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 primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Company, nominate and monitor external auditors and provide advice and comments to the Directors. The Audit Committee has reviewed the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2017 and has provided advice and comments thereon.

QUARTERLY DIVIDEND

The Board does not declare the payment of any dividend for the nine months ended 30 September 2017 (for the nine months ended 30 September 2016: Nil).

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

During the nine months ended 30 September 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

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

Hong Kong, 8 November 2017

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

Executive directors

Mr. Liu Stefan

Mr. Ng Chee Hung Frederick

Non-executive directors

Mr. Li Zhi Da

Mr. Stephen Gregory McCoy

Independent Non-executive directors

Ms. Zhao Guixin

Mr. Cornelis Jacobus Keyser

Mr. Lin Wenhui

This announcement will remain on the website of GEM of the Stock Exchange at 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.kvblistco.com.