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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: 6877)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

INTERIM RESULTS

The board (the “Board”) of Directors is pleased to present the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2018, together with the unaudited comparative figures for the corresponding period in 2017.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Unaudited	
		Six months ended 30 June	
		2018	2017
		HK\$'000	HK\$'000
Leveraged foreign exchange and other trading income	3	233,460	157,965
Cash dealing income/(loss)	3	3,259	(16)
Fee and commission income		45,220	37,389
Other income	4	24,294	1,772
Total income		306,233	197,110
Referral expenses and other charges		139,450	114,770
Staff costs	5	75,574	24,995
Depreciation and amortisation		6,918	6,164
Lease payments under land and buildings		6,993	6,836
Administrative and other operating expenses	6	44,588	36,011
Total expenses		273,523	188,776

		Unaudited	
		Six months ended 30 June	
		2018	2017
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
	Operating profit	32,710	8,334
	Finance cost	(12,241)	(1,156)
	Profit before tax	20,469	7,178
	Income tax expense	(10,044)	(4,089)
	Profit for the period	10,425	3,089
	Other comprehensive income		
	<i>Items that may be reclassified to profit or loss</i>		
	Currency translation difference	(10,123)	6,732
	Other comprehensive (expense)/income for the period, net of tax	(10,123)	6,732
	Total comprehensive income for the period	302	9,821
	Earnings per share for profit attributable to the equity holders of the Company for the period		
	– Basic (HK cents per share)	0.51	0.15
	– Diluted (HK cents per share)	0.22	0.15

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2018

		Unaudited	Audited
		30 June	31 December
		2018	2017
	<i>Notes</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	<i>10</i>	10,548	9,719
Intangible assets	<i>11</i>	33,734	34,496
Deferred tax assets		1,308	1,367
		<u>45,590</u>	<u>45,582</u>
Current assets			
Other receivables, prepayments and deposits	<i>12</i>	19,881	11,824
Tax prepayment		3,098	11,211
Derivative financial instruments	<i>13</i>	77,308	139,567
Balances due from agents		32,349	88,551
Cash and bank balances and client trust bank balances	<i>14</i>	1,126,363	1,104,050
Total current assets		<u>1,258,999</u>	<u>1,355,203</u>
Total assets		<u>1,304,589</u>	<u>1,400,785</u>
EQUITY AND LIABILITIES			
Share capital	<i>18</i>	20,333	20,333
Reserves		361,140	365,190
Retained earnings		172,298	161,704
Total equity		<u>553,771</u>	<u>547,227</u>

		Unaudited	Audited
		30 June	31 December
		2018	2017
	<i>Notes</i>	HK\$'000	HK\$'000
Current liabilities			
Finance lease obligations		43	47
Current income tax liabilities		806	–
Other payables and accrued liabilities	15	32,389	53,272
Derivative financial instruments	13	10,186	30,646
Clients' balances	16	507,425	766,182
		<u>550,849</u>	<u>850,147</u>
Non-current liabilities			
Finance lease obligations		176	205
Deferred tax liabilities		2,900	3,206
Convertible bonds	17	196,893	–
		<u>199,969</u>	<u>3,411</u>
Total liabilities		<u><u>750,818</u></u>	<u><u>853,558</u></u>
Total equity and liabilities		<u><u>1,304,589</u></u>	<u><u>1,400,785</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 CORPORATE INFORMATION

1.1 General information

The Company was incorporated in the Cayman Islands on 9 November 2010 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's immediate parent is CITIC Securities Overseas Investment Company Limited ("CITIC Securities Overseas"), a company incorporated in Hong Kong and its ultimate holding company is CITIC Securities Company Limited ("CITIC Securities"), a company incorporated in the People's Republic of China. 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.

As at 30 June 2018, 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 the public.

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

1.2 Significant event

On 25 January 2018, pursuant to subscription agreements entered into by the Company, the Company issued convertible bonds with aggregate principal amount of HK\$200,000,000 on 12 February 2018 (the "Issue Date"). The convertible bonds entitled the holders to convert them into ordinary shares of the Company at the conversion price of HK\$0.613 (the "Conversion Price") per share of the Company at any time from the day following one year from the Issue Date up to the fifth business day immediately before the second anniversary of the Issue Date (the "Maturity Date") and bear interest at 7.5% per annum. Unless previously redeemed, converted or cancelled, the Company has to redeem the convertible bonds on the Maturity Date at 100% of the outstanding principal amount, together with accrued interest, if any. See Note 17.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which has been prepared in accordance with the Hong Kong Financial Reporting Standards (the "HKFRS").

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies and standards as set out below.

(i) Estimation of income tax

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

(ii) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The derivative component of the convertible bonds is recognized initially at fair value. The liability component is recognized initially at the difference between the fair value of the convertible bonds as a whole and the fair value of the derivative component.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The derivative are subsequently measured at fair value and any gains or losses derived from its changes are recognized in the consolidated profit or loss.

(iii) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the following standards are relevant to the Group's financial statements:

- HKFRS 9 *Financial Instruments*; and
- HKFRS 15 *Revenue from Contracts with Customers*.

The adoption of these standards in the current interim period has no material impact and the new accounting policies are disclosed below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Classification

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

Accordingly, the Group has classified most of its financial assets at amortised costs and derivative financial assets measured at fair value through profit or loss.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment

For other receivables and balances due from agents, the Group applies the simplified approach permitted by HKFRS 9, which requires 12-month expected credit losses to be recognised from initial recognition of the receivables. Cash and bank balances are also subject to the impairment requirements of HKFRS 9. There was no material change in the amount of provision for impairment losses required under the expected credit loss model compared with incurred credit loss model and there was no material financial impact on such change at 1 January 2018, 30 June 2018 and for the six months ended 30 June 2018.

HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules retrospectively. The Group assessed the impacts of adopting HKFRS 15 on its financial statements. Based on the assessment, the adoption of HKFRS 15 has no significant impact on the Group’s revenue recognition as the Group’s dividend income, interest income and rental income are not within the scope of HKFRS 15.

Revenue for the provision of management income and fees and commission income services is recognised over time as those services are provided. HKFRS 15 did not result in significant impact on the Group’s accounting policies. Upon the adoption of HKFRS 15, if there is any satisfied performance obligation but where the Group does not have an unconditional right to consideration, the Group should recognised a contract asset. No contract asset is recognised upon transition and at the end of the reporting period.

(iv) Impact of standards issued but not yet applied by the entity

HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group’s operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK\$44,522,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

3 SEGMENT REPORTING

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

Summary details of the business segments are as follows:

- (a) the margin dealing segments engage in the provision of leveraged foreign exchange, commodity and index trading services in Australia, 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 People's Republic of China ("PRC") business segment engages in provision of trading and settlement of precious metals in PRC.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the six months ended 30 June 2018 and 2017.

The segment information provided to the management for the reportable segments for the six months period ended 30 June 2018 and 2017 is as follows:

For the six months ended 30 June 2018 (Unaudited)

	New Zealand Margin dealing HK\$'000	Hong Kong Margin dealing HK\$'000	Australia Margin dealing HK\$'000	New Zealand Cash dealing HK\$'000	PRC Business 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	229,786	3	3,671	3,259	-	-	-	236,719
Inter-segment sales	-	70,026	1,331	-	-	-	(71,357)	-
Segment revenue	229,786	70,029	5,002	3,259	-	-	(71,357)	236,719
Fee and commission income	42,962	-	47	-	-	2,211	-	45,220
Other income	95	-	10	7	533	23,649	-	24,294
Total revenue and other income	<u>272,843</u>	<u>70,029</u>	<u>5,059</u>	<u>3,266</u>	<u>533</u>	<u>25,860</u>	<u>(71,357)</u>	<u>306,233</u>
Segment profit/(loss)	25,536	63,104	2,419	3,069	(2,026)	25,860		117,962
Other unallocated staff costs								(30,480)
Other unallocated administrative and operating expenses								(67,013)
Profit before tax								20,469
Income tax expense								(10,044)
Profit for the period								<u>10,425</u>
Other segment information:								
Depreciation and amortisation	-	58	13	-	943	5,904		6,918
Lease payments	-	686	-	-	933	5,374		6,993
Finance cost	-	-	-	-	-	12,241		12,241

For the six months ended 30 June 2017 (Unaudited)

	New Zealand Margin dealing HK\$'000	Hong Kong Margin dealing HK\$'000	Australia Margin dealing HK\$'000	New Zealand Cash dealing HK\$'000	PRC Business 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	128,362	133	1,735	(16)	27,735	-	-	157,949
Inter-segment sales	-	43,425	4,076	-	-	-	(47,501)	-
Segment revenue	128,362	43,558	5,811	(16)	27,735	-	(47,501)	157,949
Fee and commission income	34,397	-	2	-	-	2,990		37,389
Other income/(losses)	377	-	9	35	(913)	2,264		1,772
Total revenue and other income	<u>163,136</u>	<u>43,558</u>	<u>5,822</u>	<u>19</u>	<u>26,822</u>	<u>5,254</u>	<u>(47,501)</u>	<u>197,110</u>
Segment profit/(loss)	(2,022)	39,328	3,824	(639)	6,805	5,254		52,550
Other unallocated staff costs								(13,441)
Other unallocated administrative and operating expenses								(31,931)
Profit before tax								7,178
Income tax expense								(4,089)
Profit for the period								<u>3,089</u>
Other segment information:								
Depreciation and amortisation	-	30	13	-	979	5,142		6,164
Lease payments	-	381	-	-	1,518	4,937		6,836
Finance cost	-	-	-	-	1,156	-		1,156

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

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
New Zealand	233,045	128,346
Others	3,674	29,603
	<u>236,719</u>	<u>157,949</u>

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

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

There are no material differences from the Company's 2017 annual report in the basis of segmentation or in the basis of measurement of segment profit or loss.

4 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Interest income	1,232	1,443
Exchange gain, net	7,733	566
Loss on disposal of fixed assets	–	(455)
Fair value gain on the embedded derivative portion of convertible bonds (<i>Note 17</i>)	16,181	–
Amortisation of deferred loss on conversion component (<i>Note 17</i>)	(853)	–
Others	1	218
	<u>24,294</u>	<u>1,772</u>

5 STAFF COSTS

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Staff costs:		
Salaries and allowances	68,677	23,362
Pension scheme contributions	655	668
Share option expenses (<i>Note 19</i>)	6,242	965
	<u>75,574</u>	<u>24,995</u>

6 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Management fees paid to the then immediate holding company	347	331
Other office occupation expenses	1,734	1,608
Auditor's remuneration		
– Audit services	1,669	1,478
– Non-audit services	164	321
Information services expenses	1,917	2,396
Professional and consultancy fee	3,006	2,302
Repair and maintenance (including system maintenance)	6,002	6,041
Marketing, advertising and promotion expenses	14,597	8,871
Handling fee expenses	7,979	7,635
Travelling expenses	2,388	1,663
Entertainment expenses	658	341
Insurance	284	311
Clients' debit balances written off	250	147
Staff training	415	341
Others	3,178	2,225
	<u>44,588</u>	<u>36,011</u>

7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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% (2017: 28%) in New Zealand, 30% (2017: 30%) in Australia and 25% (2017: 25%) in PRC respectively in accordance with the local tax authorities.

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Current tax:		
Charge for the period	9,825	3,904
Others	219	185
	<hr/>	<hr/>
Income tax expense	10,044	4,089
	<hr/> <hr/>	<hr/> <hr/>

8 DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2018 (30 June 2017: Nil).

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 respective periods.

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	10,425	3,089
	<hr/> <hr/>	<hr/> <hr/>
	No. of shares	No. of shares
Weighted average number of ordinary shares in issue	2,033,290,000	2,033,240,000
	<hr/>	<hr/>
Basic earnings per share (HK cents)	0.51	0.15
	<hr/> <hr/>	<hr/> <hr/>

(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 and convertible bonds into ordinary shares.

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	10,425	3,089
Finance cost and fair value gain recognised on the embedded derivative component of convertible bonds	(5,123)	–
Adjusted profit attributable to equity holders of the company	5,302	3,089
	No. of shares	No. of shares
Weighted average number of ordinary shares be in issue	2,033,290,000	2,033,240,000
Adjustments for share options	2,111,783	–
Effect of dilutive potential ordinary shares for convertible bonds	326,264,273	–
Weighted average number of shares for the purpose for calculating diluted earnings per share	2,361,666,056	2,033,240,000
Diluted earnings per share (HK cents)	0.22	0.15

Note:

Certain share options are not included in the computation of diluted earnings per share for the six-month period ended 30 June 2018 as those were anti-dilutive.

10 PROPERTY, PLANT AND EQUIPMENT

	Unaudited 30 June 2018 <i>HK\$'000</i>	Unaudited 30 June 2017 <i>HK\$'000</i>
Opening net carrying amount	9,719	10,400
Exchange adjustments	(80)	239
Additions	3,033	2,898
Disposals	–	(455)
Depreciation	(2,124)	(2,358)
	<u>10,548</u>	<u>10,724</u>
Closing net carrying amount	<u><u>10,548</u></u>	<u><u>10,724</u></u>

11 INTANGIBLE ASSETS

	Unaudited 30 June 2018 <i>HK\$'000</i>	Unaudited 30 June 2017 <i>HK\$'000</i>
Opening net carrying amount	34,496	27,447
Exchange adjustments	(815)	1,053
Additions	4,847	2
Amortisation	(4,794)	(3,806)
	<u>33,734</u>	<u>24,696</u>
Closing net carrying amount	<u><u>33,734</u></u>	<u><u>24,696</u></u>

12 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Unaudited 30 June 2018 <i>HK\$'000</i>	Audited 31 December 2017 <i>HK\$'000</i>
Rental and utility deposits	4,573	3,954
Prepayments	12,863	5,961
Other receivables	2,445	1,909
	<u>19,881</u>	<u>11,824</u>
Total	<u><u>19,881</u></u>	<u><u>11,824</u></u>

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

13 DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 June 2018 <i>HK\$'000</i>	Audited 31 December 2017 <i>HK\$'000</i>
Current assets		
Derivative contracts	77,308	139,567
Current liabilities		
Derivative contracts	<u>(10,186)</u>	<u>(30,646)</u>
Total	<u><u>67,122</u></u>	<u><u>108,921</u></u>

The Group trades in foreign currencies, commodities and other products through its margin trading business. In order to protect against their exposures to fluctuations in foreign exchange rates and commodity prices, the Group has entered into a number of foreign exchange forward transactions and contracts for difference with the Group's bankers in the normal course of business.

The notional principal amounts of the outstanding forward foreign exchange contracts at 30 June 2018 and 31 December 2017 are HK\$7,280,106,000 and HK\$14,292,459,000 respectively.

14 CASH AND BANK BALANCES AND CLIENT TRUST BANK BALANCES

	Unaudited 30 June 2018 <i>HK\$'000</i>	Audited 31 December 2017 <i>HK\$'000</i>
Cash and bank balances	597,792	430,198
Fixed deposits with banks	89,594	87,553
Client trust bank balances	<u>438,977</u>	<u>586,299</u>
	<u><u>1,126,363</u></u>	<u><u>1,104,050</u></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 condensed consolidated interim statement of cash flows.

As at 30 June 2018 and 31 December 2017, fixed deposits of approximately HK\$85,514,000 and HK\$86,015,000 respectively are pledged to banks for banking facilities. No overdraft facility was utilised by the Group as at 30 June 2018 and 31 December 2017. None of the bank deposits are placed with market makers as collateral as at 30 June 2018 and 31 December 2017.

15 OTHER PAYABLES AND ACCRUED LIABILITIES

	Unaudited	Audited
	30 June	31 December
	2018	2017
	HK\$'000	HK\$'000
Accrued rental benefit	203	231
Accrued audit fees	1,632	2,781
Accruals	4,657	5,257
Commission payable	12,928	27,825
Employee entitlements	12,128	11,820
Other payables	841	5,358
	<u>32,389</u>	<u>53,272</u>

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

16 CLIENTS' BALANCES

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

17 CONVERTIBLE BONDS

Pursuant to subscription agreements entered into by the Company on 25 January 2018, the Company issued convertible bonds with aggregate principal amount of HK\$200,000,000 on 12 February 2018 (the "Issue Date"). The convertible bonds entitled the holders to convert them into 326,264,273 ordinary shares of the Company at the conversion price of HK\$0.613 (the "Conversion Price") per share of the Company at any time from the day following one year from the Issue Date up to the fifth business day immediately before the second anniversary of the Issue Date (the "Maturity Date") and bear interest at 7.5% per annum. Unless previously redeemed, converted or cancelled, the Company has to redeem the convertible bonds on the Maturity Date at 100% of the outstanding principal amount, together with accrued interest, if any.

The Conversion Price is subject to anti-dilutive adjustments due to change of management and anti-dilution events such as consolidation, sub-division or reclassification, bonus issue, capital distribution, rights issue of shares or options over shares, rights issue of other securities, issue at less than the then current market price, other issue at less than the then current market price, modification of right of conversion, other offer to shareholders and other events. If the Conversion Price pursuant to any adjustment is below the par value of each share, the Conversion Price shall be adjusted to an amount equal to the par value of a share instead.

Save as disclosed above, the terms and definitions of the Convertible Bonds are set out in the respective subscription agreements and disclosed in the Company's announcements dated 25 January 2018 and 12 February 2018.

In the presence of the adjustments to the Conversion Price mentioned above, the Convertible Bonds may not exchange a fixed number of the Company's own equity instrument for a fixed amount of cash. Therefore, the components of the Convertible Bonds are accounted for separately as host liability component and conversion option derivative. The fair values of the host liability component and conversion option derivative were determined at the respective date of issue. The host liability component represented the present value of the contractual stream of future cash flows discounted using the prevailing market interest rate of similar non-convertible instruments and carried at amortised cost. The effective interest rate of the liability component is 19.76%. Subsequent to the initial recognition, the liability component is carried at amortised cost while the conversion option derivative embedded in the Convertible Bonds are measured at fair value, which changes in fair value recognized in profit or loss.

The components for the issue of the Convertible Bond and their movements for the period are set out below:

	Financial liabilities at amortised cost – debt portion HK\$'000	Financial liabilities at fair value through profit or loss – derivative portion HK\$'000	Total HK\$'000
At 1 January 2018	–	–	–
Issuance of convertible bonds	181,815	42,040	223,855
Deferred losses upon issuance	(19,375)	(4,480)	(23,855)
Fair value gain recognized (<i>Note 4</i>)	–	(16,181)	(16,181)
Interest expense	12,221	–	12,221
Interest payment	–	–	–
Amortisation of deferred loss on conversion component (<i>Note 4</i>)	–	853	853
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2018	174,661	22,232	196,893
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

18 SHARE CAPITAL AND CAPITAL RESERVE

(a) Share capital

	Number of shares in issue	Issued share capital <i>HK\$'000</i>
As at 1 January 2017 and 30 June 2017	2,033,240,000	20,332
As at 1 January 2018 and 30 June 2018	2,033,290,000	20,333

(b) Capital Reserve

Capital reserve 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 II”), LXL Capital III Limited (“LXL III”) and LXL Capital IV Limited (“LXL IV”) in exchange for these subsidiaries under the reorganisation of the Group in 2012.

19 SHARE OPTION SCHEME

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 2017	Granted during the period	Forfeited during the period	Exercised during the period	Outstanding As at 30 June 2018	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
Huang Songyuan	19 August 2015	3,500,000	-	-	-	3,500,000	0.95	19 August 2015 to 18 August 2018
Wong Yiu Kit Ernest	19 August 2015	250,000	-	-	-	250,000	0.95	19 August 2017 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	14,050,000	-	(150,000)	-	13,900,000	0.95	19 August 2015 to 18 August 2018
Employees of group companies	19 August 2015	1,000,000	-	-	-	1,000,000	0.95	19 August 2016 to 18 August 2019
Employees of group companies	19 August 2015	3,750,000	-	(200,000)	-	3,550,000	0.95	19 August 2017 to 18 August 2019
Consultants	19 August 2015	400,000	-	-	-	400,000	0.95	19 August 2016 to 18 August 2019
Consultants	19 August 2015	500,000	-	(100,000)	-	400,000	0.95	19 August 2017 to 18 August 2019
		<u>33,650,000</u>	<u>-</u>	<u>(450,000)</u>	<u>-</u>	<u>33,200,000</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\$0.3133
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.

No share option expenses were recognised in the consolidated statement of comprehensive income during the current period.

On 29 December 2016, 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\$0.592 per share, with varying vesting period and validity from the date of grant. 37 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 28 December 2019. 9 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 28 December 2020, with a vesting period of one year from the date of grant. The remaining 49 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 28 December 2020, with a vesting period of two years from the date of grant. Among the 40,000,000 share options granted, 11,750,000 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 2017	Granted during the period	Forfeited during the period	Exercised during the period	Outstanding as at 30 June 2018	Exercise price HK\$	Exercise period
Liu Stefan	29 December 2016	8,000,000	-	-	-	8,000,000	0.592	29 December 2016 to 28 December 2019
Huang Songyuan	29 December 2016	3,050,000	-	-	-	3,050,000	0.592	29 December 2016 to 28 December 2019
Wong Yiu Kit Ernest	29 December 2016	250,000	-	-	-	250,000	0.592	29 December 2018 to 28 December 2019
Stephen Gregory McCoy	29 December 2016	1,000,000	-	-	-	1,000,000	0.592	29 December 2016 to 28 December 2019
Zhao Guixin	29 December 2016	300,000	-	-	-	300,000	0.592	29 December 2016 to 28 December 2019
Corenlis Jacobus Keyser	29 December 2016	300,000	-	-	-	300,000	0.592	29 December 2016 to 28 December 2019
Lin Wenhui	29 December 2016	300,000	-	-	-	300,000	0.592	29 December 2016 to 28 December 2019
Employees of group companies	29 December 2016	16,450,000	-	(100,000)	-	16,350,000	0.592	29 December 2016 to 28 December 2019
Employees of group companies	29 December 2016	900,000	-	-	-	900,000	0.592	29 December 2017 to 28 December 2020
Employees of group companies	29 December 2016	6,700,000	-	(950,000)	-	5,750,000	0.592	29 December 2018 to 28 December 2020
Consultants	29 December 2016	450,000	-	-	-	450,000	0.592	29 December 2017 to 28 December 2020
Consultants	29 December 2016	200,000	-	(100,000)	-	100,000	0.592	29 December 2018 to 28 December 2020
		<u>37,900,000</u>	<u>-</u>	<u>(1,150,000)</u>	<u>-</u>	<u>36,750,000</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 29 December 2016 was as follows:

Weighted average share option price at the grant date:	HK\$0.2385
Risk free interest rate:	1.443%
Expected volatility:	70.97%
Expected dividend yield:	0%
Expected exercise multiple:	Directors: 2.8x exercise price Others: 2.2x exercise price

The measurement date of the share options was 29 December 2016, 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\$216,000 share option expenses were recognised in the consolidated statement of comprehensive income during the current period.

On 22 March 2018, the Board of Directors of the Company granted 40,000,000 share options to 82 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\$0.495 per share, with varying vesting period and validity from the date of grant. 37 out of 82 of the Grantees were granted share options which are exercisable for a period of three years commencing on the date of grant to 21 March 2021. 11 out of 82 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 21 March 2022, with a vesting period of one year from the date of grant. The remaining 34 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 21 March 2022, 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 2017	Granted during the period	Forfeited during the period	Exercised during the period	Outstanding as at 30 June 2018	Exercise price HK\$	Exercise period
Liu Stefan	22 March 2018	-	10,000,000	-	-	10,000,000	0.495	22 March 2018 to 21 March 2021
Huang Songyuan	22 March 2018	-	3,800,000	-	-	3,800,000	0.495	22 March 2018 to 21 March 2021
Wong Yiu Kit Ernest	22 March 2018	-	1,550,000	-	-	1,550,000	0.495	22 March 2018 to 21 March 2021
Stephen Gregory McCoy	22 March 2018	-	1,000,000	-	-	1,000,000	0.495	22 March 2018 to 21 March 2021
Zhao Guixin	22 March 2018	-	400,000	-	-	400,000	0.495	22 March 2018 to 21 March 2021
Corenlis Jacobus Keyser	22 March 2018	-	400,000	-	-	400,000	0.495	22 March 2018 to 21 March 2021
Lin Wenhui	22 March 2018	-	400,000	-	-	400,000	0.495	22 March 2018 to 21 March 2021
Employees of group companies	22 March 2018	-	13,600,000	(50,000)	-	13,550,000	0.495	22 March 2018 to 21 March 2021
Employees of group companies	22 March 2018	-	1,900,000	-	-	1,900,000	0.495	22 March 2019 to 21 March 2022
Employees of group companies	22 March 2018	-	6,150,000	(500,000)	-	5,650,000	0.495	22 March 2020 to 21 March 2022
Consultants	22 March 2018	-	800,000	(250,000)	-	550,000	0.495	22 March 2019 to 21 March 2022
		<u>-</u>	<u>40,000,000</u>	<u>(800,000)</u>	<u>-</u>	<u>39,200,000</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 22 March 2018 was as follows:

Weighted average share option price at the grant date:	HK\$0.1814
Risk free interest rate:	1.672%
Expected volatility:	56.40%
Expected dividend yield:	0%
Expected exercise multiple:	Directors: 2.8x exercise price Others: 2.2x exercise price

The measurement date of the share options was 22 March 2018, 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\$6,026,000 share option expenses were recognised in the consolidated statement of comprehensive income during the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

The board of Directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 June 2018, together with the unaudited comparative figures for the corresponding period in 2017.

BUSINESS REVIEW AND FINANCIAL PERFORMANCE

Business Review

During the first six months ended 30 June 2018, the overall market volatility increased slightly when comparing to the first six months in 2017. In general, in periods of elevated volatility, customer trading volumes and the total revenues tend to increase. However, there is no assurance on volatility and its effects on the FX market.

The most popular traded products by our customers are EUR/USD, USD/JPY, GBP/USD and gold.

In the currency market, the price range of the EUR/USD traded was also very similar when comparing the price range of the first six months in 2017. The highest and the lowest level of the EUR/USD were seen to be 1.2554 and 1.1508 respectively, a nearly 1,046-pips trading range during the first six months in 2018, compared to the price movement presented a nearly 1,105-pips trading range, the highest was 1.1445 and the lowest was 1.0340 during the first six months in 2017.

USD/JPY was traded in a narrower price range of 877-pips in the first six months of 2018, the highest and the lowest were 113.38 and 104.61 respectively. The price range was 1,047-pips in the same period of 2017, the highest and lowest levels were 118.60 and 108.13.

The price range of GBP/USD was wider in the first six months in 2018, comparing to the same period in 2017. The highest and lowest levels were 1.4375 and 1.3048, that the price range was 1,327-pips in the first six months in 2018. The price range of GBP/USD in the six months in 2017 was 1,069-pips, the highest and lowest levels were 1.3046 and 1.1977 respectively.

The gold mainly traded within a price range of \$154.50 USD/ounce. The highest price of Gold was traded at \$1,365.90 USD/ounce and the lowest at \$1,211.40 USD/ounce under the period of review. The price range of Gold was very similar when comparing to the same period in 2017. The price range of Gold was \$150.10 USD/ounce, the highest at \$1,295.90 USD/ounce, and the lowest at \$1,145.80 USD/ounce.

The retail margin FX trading market is highly competitive. This includes international multi-product trading firms, other online trading firms, and financial institutions. We expect the market to remain very competitive in the foreseeable future. We are constantly looking for ways to improve our customer service level and meet the needs of our clients, by providing more trading opportunities in the global financial markets.

Six months ended 30 June 2018 compared with six months ended 30 June 2017

Total income

The total income of the Group increased by approximately 55.4% to approximately HK\$306.2 million for the six months ended 30 June 2018 from approximately HK\$197.1 million for the six months ended 30 June 2017.

A. Leveraged foreign exchange and other trading income

The leveraged foreign exchange and other trading income of the Group increased by approximately 47.8% to approximately HK\$233.5 million for the six months ended 30 June 2018 from approximately HK\$158.0 million for the six months ended 30 June 2017. The increase was mainly attributed by the higher trading volume during the six months ended 30 June 2018 as compared to the six months ended 30 June 2017.

B. Cash dealing income/(losses)

The Group recorded cash dealing income of approximately HK\$3.3 million for the six months ended 30 June 2018 while there was cash dealing losses of about HK\$0.02 million for the six months ended 30 June 2017. The increase was mainly due to higher market volatility resulting in better performance and the dealing open position revaluation gain as at 30 June 2018.

C. Fee and commission income

The fee and commission income of the Group increased by approximately 20.9% from approximately HK\$37.4 million for the six months ended 30 June 2017 to approximately HK\$45.2 million for the six months ended 30 June 2018. The increase was mainly due to more commission received from those clients who we charge commission to.

D. Other income

The Group recorded other income of approximately HK\$24.3 million for the six months ended 30 June 2018 as compared to other income of approximately HK\$1.8 million for the six months ended 30 June 2017.

As at 30 June 2018, there was a fair value gain of approximately HK\$16.2 million on the derivative portion of convertible bonds issued on 12 February 2018.

During the six months ended 30 June 2018, the Group recorded an exchange gain of approximately HK\$7.7 million as compared to an exchange gain of approximately HK\$0.6 million during the six months ended 30 June 2017. This was mainly due to the period-end translation of monetary assets denominated in foreign currency into local reporting currency by KVB Kunlun New Zealand Limited, a wholly-owned subsidiary of the Company.

Referral expenses and other charges

The referral expenses and other charges of the Group increased by approximately 21.5% to approximately HK\$139.5 million for the six months ended 30 June 2018 from approximately HK\$114.8 million for the six months ended 30 June 2017. The increase was mainly due to the increase in trading volume of the clients of the Group referred by service providers and increased transaction fees paid to remittance channels.

Staff Costs

The staff cost of the Group increased to approximately HK\$75.6 million for the six months ended 30 June 2018 from approximately HK\$25.0 million for the six months ended 30 June 2017. The increase was mainly due to special bonus paid and share options granted during the period.

Depreciation & amortization

Depreciation and amortization increased by approximately 12.2% to approximately HK\$6.9 million for the six months ended 30 June 2018 from approximately HK\$6.2 million for the six months ended 30 June 2017. This increase was mainly due to new assets capitalization in late 2017.

Lease payments under land and buildings

Lease payments under land and buildings have increased by approximately 2.3% to approximately HK\$7.0 million for the six months ended 30 June 2018 from around HK\$6.8 million for the six months ended 30 June 2017. The increase was mainly due to the increased rental expenses of lease review in some offices.

Administrative and other operating expenses

The administrative and other operating expenses of the Group increased by approximately 23.8% to around HK\$44.6 million for the six months ended 30 June 2018 from approximately HK\$36.0 million for the six months ended 30 June 2017. This was mainly due to increased marketing expenses, donation expenses and professional and consultancy fee by approximately HK\$5.7 million, HK\$1.9 million and HK\$0.7 million respectively as compared with the same period in 2017.

Net profit and net profit margin

For the reasons set forth above, the Group had a net profit of approximately HK\$10.4 million for the six months ended 30 June 2018 compared with a net profit of approximately HK\$3.1 million for the first six months in 2017. The net profit margin for the six months ended 30 June 2018 was approximately 3.4%.

Excluding the fair value gain of approximately HK\$16.2 million on the derivative position of convertible bonds, in summary, the decrease in profitability of the Group was primarily contributed by:

- Higher transaction volume resulting in higher fee and commission expenses and
- Increased expenses in few main items due to business expansion.

SIGNIFICANT INVESTMENTS, THEIR PERFORMANCE AND FUTURE PROSPECTS

During the six months ended 30 June 2018, the Group did not have any significant investments held.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2018, the Group did not have any material acquisitions and disposals.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the operation of the Group was financed principally by equity capital, cash generated by the Group's business operations, cash and bank deposits and proceeds from convertible bonds.

As at 30 June 2018, cash and bank balance held by the Group amounted to approximately HK\$687.4 million. (As at 31 December 2017: HK\$517.8 million)

GEARING RATIO

The gearing ratio calculated on the basis of net debts (financial lease obligation and convertible bonds) over the total shareholders' fund as at 30 June 2018 was approximately 35.6%. (31 December 2017: 0.05%).

FOREIGN CURRENCY EXPOSURE

During the period under review, the Group recorded an exchange gain of approximately HK\$7.7 million (2017: gain of approximately HK\$0.6 million). This was mainly due to the half year end translation of monetary assets denominated in foreign currency into local reporting currency by the subsidiary of the Group in New Zealand. 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 subsidiaries.

CAPITAL STRUCTURE

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

ISSUE OF CONVERTIBLE BONDS

On 12 February 2018 (the “Issue Date”), the Company issued 7.5% convertible bonds (the “Bonds”) with an aggregate principal amount of HK\$200 million to BC Global Fund SPC – BC Fintech Fund SP and PA Investment Funds SPC for the account of PA High Technology Fund SP (collectively the “Bondholders”).

The Bonds will expire at the second anniversary of the Issue Date. The Company may extend the maturity date for a further term of one year from the maturity date by giving notice in writing to all of the Bondholders on or before the maturity date and with the prior written consent from Bondholders of not less than 50% of the aggregate principal amount of Bonds outstanding. In the event of extension of the maturity date, the interest rate will be adjusted from 7.5% per annum to 12% per annum.

The Bonds are convertible into Company’s ordinary shares of HK\$0.01 each (the “Ordinary Shares”) at the initial conversion price of HK\$0.613 per share (subject to adjustment). Based on the assumption of full conversion of the Bonds at such initial conversion price, a total of 326,264,273 Ordinary Shares will be allotted and issued by the Company. As at 30 June 2018, no Bonds were converted into any Ordinary Shares by the Bondholders, and the aggregate principal amount of the Bonds remained as HK\$200 million.

The Directors consider that the issue of the Bonds will provide strong capital support for the development of the Group’s business and strengthen the Group’s capital base effectively after full conversion of the Bonds.

The net proceeds from the issue of the Bonds is approximately HK\$199.28 million. The Company currently intends to use the net proceeds for investment in financial assets and working capital purposes.

Details of the issue of the Bonds were set out in the announcements of the Company dated 25 January 2018 and dated 12 February 2018 respectively.

NEW PRODUCTS AND SERVICES

During the period under review, there was no new products launched.

CHARGES ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2018, certain bank balances of the Group amounting to approximately HK\$85.5 million were used to secure the banking facilities and office lease bonds (31 December 2017: approximately HK\$86.0 million).

As at 30 June 2018, the Group did not have any material contingent liabilities (31 December 2017: nil).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2018, the Group engaged a total of 67 employees (as at 31 December 2017: a total of 76). Total staff costs including Directors' remuneration for the period under review amounting to approximately HK\$75.6 million (2017: HK\$25.0 million). The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of individual employees. The Group provides retirement benefits in accordance with the relevant laws and regulations in the place where the staff is employed. The Company has adopted a share option scheme pursuant to which the Directors and employees of the Group are entitled to participate.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

We plan to:

1. Expand operations in the worldwide overseas Chinese communities;
2. Increase the range of our financial services and products;
3. Further upgrade our online trading platform; and
4. Develop the high net worth and sophisticated institutional clients segment.

INTERIM DIVIDEND

The Board does not declare the payment of any dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

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

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules (the “Listing Rules”) governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the six months ended 30 June 2018, except for the following deviations:

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Li Zhi Da retired as Chairman of the Board and non-executive Director after the conclusion of the annual general meeting of the Company held on 21 May 2018 (the “2018 Annual General Meeting”). After the retirement of Mr. Li, no individual was appointed as chairman of the Board. The role of the chairman of the Board has been performed by the chief executive officer of the Company.

The Board will keep on identifying suitable candidate to assume duties as chairman of the Board as soon as possible.

Pursuant to the code provision A.6.7 of the CG Code, the independent non-executive directors and the non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Ms. Zhao Guixin, an independent non-executive Director, was unable to attend the 2018 Annual General Meeting due to health reason.

Pursuant to the code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Li Zhi Da, the then Chairman and a non-executive Director, was unable to attend the 2018 Annual General Meeting due to other commitment.

DIRECTORS’ INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group’s business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the six months ended 30 June 2018 or at any time during such period.

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 the CG Code contained in Appendix 14 to the 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 and expressed no disagreement with the accounting treatment adopted by the Company in preparing the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2018 and has provided advice and comments thereon.

PricewaterhouseCoopers as the Company's auditors has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2018 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions of the Company by the Directors. Having made specific enquiry with the Directors, all the Directors confirmed that they had complied with the Model Code during the six months ended 30 June 2018.

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

Hong Kong, 16 August 2018

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

Executive Directors

Mr. Liu Stefan
Mr. Huang Songyuan
Mr. Wong Yiu Kit Ernest

Non-executive Directors

Mr. Stephen Gregory McCoy
Mr. Li Jiong
Mr. Xu Jianqiang

Independent Non-executive Directors

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