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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE “GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of 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.

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This announcement, for which the directors (the “Directors”) of KVB Kunlun Financial Group Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

INTERIM RESULTS

The board (the “Board”) of Directors announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2015.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Note	Unaudited			
		Three months ended 30 June		Six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Leveraged foreign exchange and other trading income	4	80,476	23,421	122,412	42,749
Cash dealing income	4	1,459	2,844	5,351	6,818
Other income	5	16,557	6,497	26,912	7,463
Total income		98,492	32,762	154,675	57,030
Fees and commission expenses		26,224	12,777	45,706	24,808
Staff costs	6	21,341	9,599	31,099	18,217
Depreciation and amortization		1,485	679	2,702	1,310
Lease payments under land and buildings		1,999	1,544	3,989	3,069
Administrative and other operating expenses	7	13,669	8,825	20,932	16,698
Total expenses		64,718	33,424	104,428	64,102
Operating profit/(loss)		33,774	(662)	50,247	(7,072)
Finance cost		(204)	(3)	(246)	(4)
Profit/(loss) before tax		33,570	(665)	50,001	(7,076)
Income tax (expense)/credit	8	(10,933)	1,885	(14,782)	1,227
Profit/(loss) for the period		22,637	1,220	35,219	(5,849)
Other comprehensive income					
Items that may be reclassified to profit or loss					
Currency translation difference		(7,394)	925	(12,189)	5,442
Other comprehensive income for the period, net of tax		(7,394)	925	(12,189)	5,442
Total comprehensive income for the period		15,243	2,145	23,030	(407)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company for the period					
– Basic (HK cents per share)	10	1.12	0.06	1.75	(0.29)
– Diluted (HK cents per share)	10	1.11	0.06	1.73	(0.29)
Dividends	9	–	–	12,492	–

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2015

		Unaudited 30 June 2015 <i>HK\$'000</i>	Audited 31 December 2014 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	<i>11</i>	7,476	7,062
Intangible assets	<i>12</i>	4,261	5,083
Deferred tax assets		858	947
		<u>12,595</u>	<u>13,092</u>
Current assets			
Other assets and prepayments	<i>13</i>	4,518	6,590
Amount due from the then immediate holding company	<i>20</i>	955	–
Amount due from the then fellow subsidiaries	<i>20</i>	54	–
Derivative financial instruments	<i>14</i>	69,394	55,544
Balances due from agents		78,494	12,099
Cash and bank balances and client trust bank balances	<i>15</i>	657,921	539,185
		<u>811,336</u>	<u>613,418</u>
Total current assets		<u>811,336</u>	<u>613,418</u>
Total assets		<u>823,931</u>	<u>626,510</u>
EQUITY AND LIABILITIES			
Share capital	<i>18</i>	20,330	20,000
Reserves		339,566	342,746
Retained earnings		35,665	29,977
		<u>395,561</u>	<u>392,723</u>
Total equity		<u>395,561</u>	<u>392,723</u>

		Unaudited	Audited
		30 June	31 December
		2015	2014
	<i>Note</i>	HK\$'000	HK\$'000
Current liabilities			
Finance lease obligations		86	41
Current income tax liabilities		15,278	7,358
Other payables and accrued liabilities	16	28,802	17,158
Amounts due to the then fellow subsidiaries	20	–	488
Derivative financial instruments	14	5,523	4,662
Clients' balances	17	378,556	203,874
		<u>428,245</u>	<u>233,581</u>
Non-current liabilities			
Finance lease obligations		–	73
Deferred tax liabilities		125	133
		<u>125</u>	<u>206</u>
Total liabilities		<u>428,370</u>	<u>233,787</u>
Total equity and liabilities		<u>823,931</u>	<u>626,510</u>
Net current assets		<u>383,091</u>	<u>379,837</u>
Total assets less current liabilities		<u>395,686</u>	<u>392,929</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Unaudited						
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	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 2015	20,000	166,928	171,892	4,339	(413)	29,977	392,723
Comprehensive income							
Profit for the period	-	-	-	-	-	35,219	35,219
Other comprehensive income for the period	-	-	-	-	(12,189)	-	(12,189)
	20,000	166,928	171,892	4,339	(12,602)	65,196	415,753
Share option scheme	-	-	-	351	-	-	351
Issue of new ordinary shares upon exercise of share option	330	13,348	-	(4,052)	-	4,052	13,678
Release of share option reserves upon cancellation of share option scheme	-	-	-	(638)	-	638	-
Dividends paid (<i>Note 9</i>)	-	-	-	-	-	(34,221)	(34,221)
Balance at 30 June 2015	20,330	180,276	171,892	-	(12,602)	35,665	395,561

	Unaudited						
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	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 2014	20,000	166,928	171,892	-	4,883	18,396	382,099
Comprehensive income							
Loss for the period	-	-	-	-	-	(5,849)	(5,849)
Other comprehensive income for the period	-	-	-	-	5,442	-	5,442
	20,000	166,928	171,892	-	10,325	12,547	381,692
Share option scheme	-	-	-	2,271	-	-	2,271
Dividends paid	-	-	-	-	-	(10,000)	(10,000)
Balance at 30 June 2014	20,000	166,928	171,892	2,271	10,325	2,547	373,963

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

		Unaudited	
		Six months ended 30 June	
		2015	2014
	Note	HK\$'000	HK\$'000
Cash flows from operating activities			
Profit/(loss) before tax		50,001	(7,076)
Adjustments for:			
Depreciation and amortisation	11 & 12	2,702	1,310
Interest income		(827)	(900)
Share option expense		351	2,271
		<hr/>	<hr/>
Cash flows from/(used in) operating activities before working capital changes		52,227	(4,395)
Decrease/(increase) in pledged time deposits		32,877	(2,812)
(Increase)/decrease in client trust bank balances		(165,778)	973
(Increase)/decrease in balances due from agents		(66,395)	3,902
(Increase)/decrease in derivative financial instruments		(12,989)	20,101
Decrease/(increase) in other assets and prepayments		2,072	(2,438)
(Increase)/decrease in amounts due from the then immediate holding company		(955)	10
Increase in amounts due from the then fellow subsidiaries		(54)	(52)
Decrease in amounts due to the then fellow subsidiaries		(488)	(312)
Increase in clients' balances		174,682	4,135
Increase/(decrease) in other payables and accrued liabilities		11,645	(2,686)
		<hr/>	<hr/>
Cash generated from operations		26,844	16,426
Income tax paid		(5,673)	(5,348)
		<hr/>	<hr/>
Net cash generated from operating activities		21,171	11,078
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Cash flows from investing activities			
Interest received		827	1,093
Purchase of property, plant and equipment and intangible assets	11 & 12	(3,179)	(1,255)
		<hr/>	<hr/>
Net cash used in investing activities		(2,352)	(162)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Cash flows from financing activities			
Repayment of finance lease obligations		(28)	(29)
Dividends paid	9	(34,221)	(10,000)
Proceeds from issuance of ordinary shares upon exercise of share options	19	13,678	–
		<hr/>	<hr/>
Net cash used in financing activities		(20,571)	(10,029)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net (decrease)/increase in cash and cash equivalents		(1,752)	887
Cash and cash equivalents at beginning of period	15	343,722	310,675
Effect of foreign exchange rate changes, net		(12,413)	5,435
		<hr/>	<hr/>
Cash and cash equivalents at end of period	15	329,557	316,997
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

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 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 service.

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

1.2 Key Events

- (a) On 29 January 2015, the controlling shareholder of the Company and CITIC Securities Company Limited ("CITIC Securities"), a company incorporated in the People's Republic of China, entered into the share purchase agreement pursuant to which CITIC Securities has agreed to acquire 1,200,000,000 shares of the Company from the controlling shareholder. In accordance with the Share Purchase Agreement, CITIC Securities has nominated CITIC Securities Overseas Investment Company Limited, a wholly-owned subsidiary of CITIC Securities which is incorporated in Hong Kong to purchase the full legal and beneficial ownership of the Sale Shares. Subsequent to the completion of the transaction on 29 May 2015, CITIC Securities Overseas Investment Company Limited holds 1,200,000,000 shares of the Company, representing approximately 59.37% of the total issued share capital of the Company as at the completion date and becomes the immediate holding company of the Company.
- (b) Immediately following the completion of the above-mentioned acquisition, CITIC Securities had made an unconditional mandatory general cash offer to cancel all outstanding options under the Share Option Scheme granted by the Company in 2014. Please refer to Note 19 to the interim financial information for details.

2 BASIS OF PREPARATION

2.1 Basis of preparation

The interim financial information for the six months ended 30 June 2015 has been prepared in accordance with HKAS 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The interim financial information should be read in conjunction with the Company's 2014 annual report, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by HKICPA.

The accounting policies applied are consistent with those adopted to prepare to the Company's 2014 annual report.

Taxes on income in the interim 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 interim period that could be expected to have a material impact on this Group.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: interest rate risk, foreign exchange risk, credit risk and liquidity risk.

The interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's 2014 annual report.

There has been no change in the risk management policies since year end.

3.1 Foreign currency risk

Exchange rate fluctuation is the most significant risk in leveraged foreign exchange trading. The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to New Zealand dollars and Australian dollars. The Group will suffer a loss if it fails to cover a client deal at a better exchange rate. The Group monitors foreign exchange exposure by reviewing the open position of the Group and client trading performance. The risk is measured by the use of sensitivity analysis and cash flow forecasting. Specific risk limits are set to measure and monitor foreign exchange risk. Any excessive foreign exchange risks are passed on to other financial institutions through execution of trades with those institutions. The management sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored on an intra-day basis.

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 30 June 2015 and 31 December 2014. Included in the tables are the assets and liabilities at carrying amounts in HK\$ equivalent, categorised by the original currency.

As at 30 June 2015 (Unaudited)

	HK\$ HK\$'000	NZD HK\$'000	AUD HK\$'000	USD HK\$'000	JPY HK\$'000	CNY HK\$'000	Others HK\$'000	Total HK\$'000
The Group								
Assets								
Other assets	2,367	37	160	279	–	578	–	3,421
Derivative financial instruments	–	25,247	16,828	27,270	49	–	–	69,394
Balances due from agents	459	443	546	75,944	553	10	539	78,494
Cash and bank balances and client trust bank balances	109,304	38,107	59,211	427,848	4,619	13,406	5,426	657,921
Liabilities								
Finance lease obligations	–	–	86	–	–	–	–	86
Other payables	3,556	1,470	757	10,240	–	47	–	16,070
Amounts due to the then fellow subsidiaries	–	–	–	–	–	–	–	–
Derivative financial instruments	–	3,432	191	1,900	–	–	–	5,523
Clients' balances	–	16,834	53,477	307,408	837	–	–	378,556

As at 31 December 2014 (Audited)

	HK\$ HK\$'000	NZD HK\$'000	AUD HK\$'000	USD HK\$'000	JPY HK\$'000	CNY HK\$'000	Others HK\$'000	Total HK\$'000
The Group								
Assets								
Other assets	2,708	35	530	43	–	1,953	–	5,269
Derivative financial instruments	–	17,230	11,307	26,553	–	–	454	55,544
Balances due from agents	31	33	536	10,380	570	–	549	12,099
Cash and bank balances and client trust bank balances	125,929	30,812	54,552	309,400	2,657	14,488	1,347	539,185
Liabilities								
Finance lease obligations	–	–	114	–	–	–	–	114
Other payables	4,396	991	1,366	7,500	–	–	–	14,253
Amounts due to the then fellow subsidiaries	–	–	–	488	–	–	–	488
Derivative financial instruments	–	1,460	753	2,449	–	–	–	4,662
Clients' balances	–	10,686	40,224	152,831	133	–	–	203,874

The following table indicates the impact on the Group's profit before taxation to movements in foreign exchange rate as at 30 June 2015 and 31 December 2014:

Foreign currency risk	Movement in foreign currency	Unaudited	Audited
		30 June 2015 HK\$'000	31 December 2014 HK\$'000
AUD	+/-5%	+/-1,112	+/-1,223
JPY	+/-5%	+/-219	+/-155
NZD	+/-5%	+/-2,105	+/-1,749
CNY	+/-5%	+/-697	+/-822

4 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 and other trading services in Hong Kong and New Zealand;
- (b) the unleveraged cash dealing segment engages in the provision of non-leveraged foreign exchange trading services in New Zealand. Unleveraged cash dealing services were provided to corporate clients, in particular, those clients engaged in money changing business for the purpose of hedging their cash positions and meeting settlement obligations. The Group is rewarded by the spread between the price quoted to our clients and the price offered by our market makers; and
- (c) the investment sales segments engage in provision of sale and marketing functions to clients in New Zealand and Australia.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the six months ended 30 June 2015 and 2014.

The segment information provided to the management for the reportable segments for the six months period ended 30 June 2015 and 2014 is as follows:

For the six months ended 30 June 2015 (Unaudited)

	New Zealand Margin dealing HK\$'000	Hong Kong Margin dealing HK\$'000	New Zealand Cash dealing HK\$'000	New Zealand Investment sales HK\$'000	Australia Investment sales HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue and other income:								
Foreign exchange and other trading income earned from external customers	122,257	155	5,351	-	-	-	-	127,763
Inter-segment sales	-	44,851	-	6,806	10,753	-	(62,410)	-
Segment revenue	122,257	45,006	5,351	6,806	10,753	-	(62,410)	127,763
Other income	17,388	-	55	-	94	9,375	-	26,912
Total revenue and other income	<u>139,645</u>	<u>45,006</u>	<u>5,406</u>	<u>6,806</u>	<u>10,847</u>	<u>9,375</u>	(62,410)	<u>154,675</u>
Segment profit	27,374	41,072	5,119	2,295	9,196	9,375	-	94,431
Other staff costs								(22,376)
Other unallocated administrative and operating expenses								(22,054)
Profit before tax								50,001
Income tax expense								(14,782)
Profit for the period								<u>35,219</u>
Other segment information:								
Depreciation and amortisation	-	101	-	-	-	2,601	-	2,702
Finance cost	234	-	-	-	-	12	-	246

For the six months ended 30 June 2014 (Unaudited)

	New Zealand Margin dealing <i>HK\$'000</i>	Hong Kong Margin dealing <i>HK\$'000</i>	New Zealand Cash dealing <i>HK\$'000</i>	New Zealand Investment sales <i>HK\$'000</i>	Australia Investment sales <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue and other income:								
Foreign exchange and other trading income earned from external customers	42,750	-	6,818	(1)	-	-	-	49,567
Inter-segment sales	-	15,292	-	1,592	3,923	-	(20,807)	-
Segment revenue	42,750	15,292	6,818	1,591	3,923	-	(20,807)	49,567
Other income	8,794	-	-	56	25	(1,412)	-	7,463
Total revenue and other income	<u>51,544</u>	<u>15,292</u>	<u>6,818</u>	<u>1,647</u>	<u>3,948</u>	<u>(1,412)</u>	<u>(20,807)</u>	<u>57,030</u>
Segment profit/(loss)	3,736	12,023	6,230	(3,485)	1,823	(1,412)		18,915
Other staff costs								(11,738)
Other unallocated administrative and operating expenses								(14,253)
Loss before tax								(7,076)
Income tax expense								1,227
Loss for the period								<u>(5,849)</u>
Other segment information:								
Depreciation and amortisation	39	131	20	55	66	999	-	1,310
Finance cost	3	-	-	-	1	-	-	4

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. The result of its income from external customers in New Zealand and other is as follows:

	Unaudited	
	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
New Zealand	127,608	49,567
Others	155	-
	<u>127,763</u>	<u>49,567</u>

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

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 differences from the Company's 2014 annual report in the basis of segmentation or in the basis of measurement of segment profit or loss.

5 OTHER INCOME

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Provision of management services (<i>Note 20 (i)</i>)	351	556	680	1,081
Fees and commission income	10,063	6,188	17,808	10,267
Interest income	423	405	827	900
Exchange gain/(losses), net	5,531	(727)	7,408	(5,004)
Others	189	75	189	219
	<u>16,557</u>	<u>6,497</u>	<u>26,912</u>	<u>7,463</u>

6 STAFF COSTS

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Staff costs:				
Salaries and allowances	20,862	8,268	30,151	15,554
Pension scheme contributions	296	216	597	392
Share option expenses (<i>Note 19</i>)	183	1,115	351	2,271
	<u>21,341</u>	<u>9,599</u>	<u>31,099</u>	<u>18,217</u>

7 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Management fees paid to the then immediate holding company (<i>Note 20 (ii)</i>)	256	200	512	399
Management fees paid to the then fellow subsidiaries (<i>Note 20(ii)</i>)	–	76	–	149
Other office occupation expenses	484	391	970	799
Auditor's remuneration	832	748	1,478	1,216
Information services expenses	1,099	698	1,835	1,360
Professional and consultancy fee	580	1,750	1,273	3,180
Repair and maintenance (including system maintenance)	4,287	168	5,838	337
Marketing, advertising and promotion expenses	2,587	2,590	3,894	5,028
Travelling expenses	869	866	1,385	1,458
Entertainment expenses	743	263	1,050	542
Others	1,932	1,075	2,697	2,230
	<u>13,669</u>	<u>8,825</u>	<u>20,932</u>	<u>16,698</u>

8 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% in New Zealand and 30% in Australia respectively in accordance with the local tax authorities.

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Current tax:				
Charge for the period	10,815	395	14,582	1,053
Others	118	–	200	–
Deferred tax:				
Credit for the period	–	(2,280)	–	(2,280)
Income tax expense/(credit)	<u>10,933</u>	<u>(1,885)</u>	<u>14,782</u>	<u>(1,227)</u>

9 DIVIDENDS

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

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

10 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015	2014	2015	2014
Profit/(loss) attributable to equity holders of the Company (HK\$'000)	22,637	1,220	35,219	(5,849)
Weighted average number of ordinary shares in issue	<u>2,022,888,791</u>	<u>2,000,000,000</u>	<u>2,011,507,624</u>	<u>2,000,000,000</u>
Basic earnings/(loss) per share (HK\$ cents)	<u>1.12</u>	<u>0.06</u>	<u>1.75</u>	<u>(0.29)</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		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
		<i>(Note)</i>		<i>(Note)</i>
Profit/(loss) attributable to equity holders of the Company (<i>HK\$'000</i>)	22,637	1,220	35,219	(5,849)
Weighted average number of ordinary shares in issue	2,022,888,791	2,000,000,000	2,011,507,624	2,000,000,000
Adjustments for share options	13,771,854	–	25,193,478	–
Weighted average number of shares for the purpose for calculating diluted earnings per share	2,036,660,645	2,000,000,000	2,036,701,102	2,000,000,000
Diluted earnings/(loss) per share (<i>HK\$ cents</i>)	1.11	0.06	1.73	(0.29)

Note:

Diluted (loss)/earnings per share for the six-month period and three-month period ended 30 June 2014 was the same as the basic (loss)/earnings per share as the outstanding share options are anti-dilutive and had no dilutive effect.

11 PROPERTY, PLANT AND EQUIPMENT

	Unaudited	Unaudited
	30 June	30 June
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening net carrying amount	7,062	6,301
Exchange adjustments	(355)	113
Additions	2,583	663
Depreciation	(1,814)	(1,229)
Closing net carrying amount	7,476	5,848

12 INTANGIBLE ASSETS

	Unaudited	Unaudited
	30 June	30 June
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening net carrying amount	5,083	257
Exchange adjustments	(530)	4
Additions	596	605
Depreciation	(888)	(81)
Closing net carrying amount	4,261	785

13 OTHER ASSETS AND PREPAYMENTS

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Rental, utility and other receivables	3,327	2,817
Prepayments	1,097	1,321
Others	94	2,452
Total	<u>4,518</u>	<u>6,590</u>

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

14 DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Current assets		
Derivative foreign exchange contracts	69,394	55,544
Current liabilities		
Derivative foreign exchange contracts	<u>(5,523)</u>	<u>(4,662)</u>
Total	<u>63,871</u>	<u>50,882</u>

The Group has trades in foreign currencies through its foreign currency margin trading business. In order to protect against exchange rate movements, the Group has entered into a number of foreign exchange and forward transactions with the Group's bankers to manage its net foreign currency exposure.

The notional principal amounts of the outstanding forward foreign exchange contracts at 30 June 2015 and 31 December 2014 are HK\$3,513,547,000 and HK\$2,458,651,000 respectively.

15 CASH AND BANK BALANCES AND CLIENT TRUST BANK BALANCES

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Cash and bank balances	314,320	318,649
Fixed deposits with banks	27,857	70,570
Client trust bank balances	<u>315,744</u>	<u>149,966</u>
Total	<u>657,921</u>	<u>539,185</u>

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group is not allowed to use the clients' monies to settle its own obligations in the ordinary course of business, and therefore they are not included as cash and cash equivalents in the consolidated interim statement of cash flows.

As at 30 June 2015 and 31 December 2014, certain bank balances amounting to approximately HK\$12,620,000 and HK\$45,497,000 respectively are used to secure the banking facilities granted to the Group. None of these banking facilities were utilised by the Group as at 30 June 2015 and 31 December 2014.

16 OTHER PAYABLES AND ACCRUED LIABILITIES

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Accrued rental benefit	118	295
Accruals	5,379	4,707
Commission payable	9,923	7,385
Employee entitlements	11,947	1,862
Deferred income	785	1,043
Other payables	650	1,866
	<u>28,802</u>	<u>17,158</u>

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

17 CLIENTS' BALANCES

The balances represent margin deposits received from clients for their trading activities under normal course of business. The carrying amounts approximate to their fair values.

18 SHARE CAPITAL AND CAPITAL RESERVES

(a) Share capital

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Authorised:		
4,000,000,000 (31 December 2014: 4,000,000,000) ordinary shares of HK\$0.01 each	<u>40,000</u>	<u>40,000</u>
Issued and fully paid:		
	Number of shares in issue	Issued share capital HK\$'000
As at 1 January 2014 and 30 June 2014	<u>2,000,000,000</u>	<u>20,000</u>
As at 1 January 2015	2,000,000,000	20,000
Issuance of new ordinary shares upon exercise of share options (<i>Note</i>)	<u>33,040,000</u>	<u>330</u>
As at 30 June 2015	<u>2,033,040,000</u>	<u>20,330</u>

Note:

During the period ended 30 June 2015, a total of 33,040,000 shares were issued to the share option holders who exercised their subscription rights at a price of HK\$0.414. (*Note* 19)

(b) Capital Reserves

The capital reserves balances 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 10 January 2014, the Board of Directors of the Company has granted 40,000,000 share options to 68 individuals for their subscription of new ordinary shares of HK\$0.01 per share of the Company.

These share options are exercisable at HK\$0.414 per share, with varying vesting period and validity from the date of grant. 40 out of 68 of the Grantees are granted share options which are exercisable for a period of three years and a vesting period of one year from the date of grant. 28 remaining Grantees are granted share options which are exercisable for a period of two years from the date of grant, with a vesting period of two years from the date of grant. All of the share options have no vesting condition. Among the 40,000,000 share options granted, 14,920,000 share options were granted to six Directors of the Company.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Details of the share options outstanding and movements during the six months ended 30 June 2015 are as follows:

Grantee	Date of grant	Outstanding as at 31 December 2014	Forfeited during the period	Exercised during the period	Lapsed/Cancelled during the period (Note (a))	Outstanding as at 30 June 2015	Exercise price HK\$	Exercise period
Liu Stefan	10 January 2014	9,520,000	-	(9,520,000)	-	-	0.414	10 January 2015 to 9 January 2018
Ng Chee Hung Frederick	10 January 2014	4,000,000	-	(4,000,000)	-	-	0.414	10 January 2015 to 9 January 2018
Stephen Gregory McCoy	10 January 2014	800,000	-	(800,000)	-	-	0.414	10 January 2015 to 9 January 2018
Zhao Guixin	10 January 2014	200,000	-	(200,000)	-	-	0.414	10 January 2015 to 9 January 2018
Corenlis Jacobus Keyser	10 January 2014	200,000	-	(200,000)	-	-	0.414	10 January 2015 to 9 January 2018
Lin Wenhui	10 January 2014	200,000	-	(200,000)	-	-	0.414	10 January 2015 to 9 January 2018
Employees of group companies	10 January 2014	18,140,000	-	(16,920,000)	(1,220,000)	-	0.414	10 January 2015 to 9 January 2018
Employees of group companies	10 January 2014	2,270,000	(50,000)	-	(2,220,000)	-	0.414	10 January 2016 to 9 January 2018
Consultants	10 January 2014	1,200,000	-	(1,200,000)	-	-	0.414	10 January 2015 to 9 January 2018
Consultants	10 January 2014	1,750,000	-	-	(1,750,000)	-	0.414	10 January 2016 to 9 January 2018
		<u>38,280,000</u>	<u>(50,000)</u>	<u>(33,040,000)</u>	<u>(5,190,000)</u>			

(a) Cancellation

Subsequent to the acquisition of approximately 59.37% of the ordinary shares of the Company by CITIC Securities, as mentioned in Note 1.2 to the interim financial information, an unconditional mandatory general cash offer was made by CITIC Securities to the then holders of outstanding options issued by the Company on 29 May 2015 pursuant to Rules 26.1 and 13.5 of the Hong Kong Code on Takeovers and Mergers at a consideration of HK\$0.236 of each of the respective share options for cancellation of the outstanding options (the “Offer”). The Offer was closed on 26 June 2015.

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

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

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

(b) Valuation of options granted

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors’ best estimate. The value of an option varies with different variables of certain subjective assumptions. Details of the share options granted on 10 January 2014 was as follows:

Weighted average share price at the grant date:	HK\$0.1227
Risk free interest rate:	1.154%
Expected volatility:	42.92%
Expected dividend yield:	1.96%
Expected exercise multiple:	Directors: 2.8x of exercise price Others: 2.2x of the exercise price

The measurement date of the share options was 10 January 2014, being the date of grant of the share options. The expected dividend yield is determined with reference to historical dividend payment history of comparable listed companies up the measurement date. The expected volatility of share price is determined with reference to annualised historical weekly volatility of comparable listed companies’ share prices as of the valuation date, as extracted from Bloomberg.

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

20 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

For the outstanding balance due from or to related parties, net amount is presented when the Group has a legally enforceable right to set off the recognized amounts, and intends to settle on a net basis.

In addition to the transactions set out in the interim financial information, the Group had the following material transactions and balances with related parties during the period.

	<i>Note</i>	Unaudited	
		Six months ended 30 June	
		2015	2014
		HK\$'000	HK\$'000
Transactions			
Management fee income for the provision of group management, information technology, marketing and administration support from:			
– the then fellow subsidiaries	(i)	680	1,081
Management fee expense for the provision of information technology support, financial system and websites maintenance services, marketing promotion, customer services and reconciliation to:			
– the then immediate holding company	(ii)	512	399
– the then fellow subsidiaries		–	149
Service fee expense for the provision of software development and maintenance services, IT infrastructure project management and maintenance services and IT risk assessment services to:			
– the then fellow subsidiary	(iii)	5,495	669
		Unaudited	Audited
		30 June	31 December
		2015	2014
	<i>Note</i>	HK\$'000	HK\$'000
Outstanding balances			
Due from related parties:			
– the then immediate holding company	(iv)	955	–
– the then fellow subsidiaries		54	–
Other assets and prepayments:			
– travel advances to key management	(v)	2	–
Due to related parties:			
– the then fellow subsidiaries	(vi)	–	488

Notes:

- (i) Management fee income is determined with reference to the cost of provision of group management, information technology, marketing and administration support services plus mark up.
- (ii) Management fee expenses are charged for the provision of information technology support, marketing, customer services and reconciliation, financial system and web sites maintenance services with reference to the costs incurred.
- (iii) Service fee expenses are charged for the provision of software development and maintenance services, IT infrastructure project management and maintenance services and IT risk assessment services.
- (iv) Amounts due from related parties are unsecured, non-interest bearing and repayable on demand.
- (v) Travel advances to key management are unsecured, non-interest bearing and repayable on demand.
- (vi) Amounts due to related parties are unsecured, non-interest bearing and repayable on demand.

21 COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Group leases offices under non-cancellable operating lease commitments existing at the end of each of the respective periods. Leases were negotiated for an average term of 3 to 6 years.

The Group is required to give six months' notice for termination of these leases.

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Within one year	11,838	13,784
One to five years	19,891	26,673
	<u>31,729</u>	<u>40,457</u>

22 SUBSEQUENT EVENT

On 5 August 2015, the Company had set up a wholly-owned subsidiary in New Zealand, named as KVB Kunlun Securities (NZ) Limited.

23 APPROVAL OF INTERIM FINANCIAL INFORMATION

The interim financial information was approved and authorised for issue by the Board on 7 August 2015.

BUSINESS REVIEW AND FINANCIAL PERFORMANCE

Business Review

During the period under review, we delivered a very impressive half-year financial result. As the highlights in the first six months in 2015, significant growth has been seen in our profit and total revenue had increased by more than double as compared to the first half of 2014. Such strong growth in revenue was driven by the more-than-double increase in customer trading volumes. EUR/USD and XAU/USD were the most popular trading pairs during the first half year, followed by AUD/USD, USD/JPY and CHINA300.

There has been a big movement in the global markets, with volatility increased significantly in the first half year as compared to the same period of 2014. We have been through several financial market storms in the first half year, such as the Swiss Franc cliff, Greece debt crisis, and the de-leverage/liquidity draw back in Chinese stock market. With our solid and effective risk control and management, we successfully managed to ride on these storms. The market momentum also caused the number of new clients and the amount of clients' net deposits to increase by more than 4 times. Meanwhile, the successful introduction of CITIC Securities Company Limited ("CITIC Securities") as the strategic controlling shareholder of the Company also increased the market expectation on our future development.

The EUR/USD continued to be the most popular traded currency pair, which experienced high volatility in the market price in the first six months of 2015. The highest and the lowest levels of EUR/USD were 1.2100 and 1.0450 respectively. Such volatility was largely driven by the Swiss Franc Cliff in January 2015, and the recent Greece debt crisis.

The Shanghai composite index reached a multi-year high of 5178 in June 2015, and then experienced an approximately 35% pull back to touch the low of 3373 in three weeks. Meanwhile, the index still has year-to-date increase of roughly 26%. Our clients had the chance to expose to the Chinese equity market by trading CHINA300 index contract for difference ('CFD'), which we designed and launched in the first half of 2014. This product was so successful that the trading volume has continued to grow significantly.

The gold price mainly traded within a range of US\$1,150/ounce – US\$1,300/ounce by June 30 2015, which follows a similar pattern as the first three months of 2014 of US\$1,200/ounce – US\$1,390/ounce. With the interest rate cut, AUD/USD price dropped 1000-pips from near-0.8300 to below-0.7300. We have seen a similar pattern in NZD/USD, which dropped from the high of 0.7800 in January by 1300 pips to near 0.6500. The trading conditions were more favorable as compared to the same period in 2014 with the momentum continues throughout the first six months in 2015.

Six months ended 30 June 2015 compared with six months ended 30 June 2014

Total income

The Group's total income increased by approximately 171% to approximately HK\$154.7 million for the six months ended 30 June 2015 from approximately HK\$57.0 million for the six months ended 30 June 2014.

A *Leveraged foreign exchange and other trading income*

The Group's leveraged foreign exchange and other trading income increased by approximately 186% to approximately HK\$122.4 million for the six months ended 30 June 2015 from approximately HK\$42.7 million for the six months ended 30 June 2014. This was mainly due to the higher market volatility and higher trading volume during the six months ended 30 June 2015 compared to the six months ended 30 June 2014.

B *Cash dealing income*

The Group's cash dealing income decreased by approximately 22% from approximately HK\$6.8 million for the six months ended 30 June 2014 to approximately HK\$5.4 million for the six months ended 2015. The decrease was mainly attributable to dealers' conservative trading and hedging strategy after Swiss Franc crisis.

C *Other income*

The Group's other income increased by approximately 261% to approximately HK\$26.9 million for the six months ended 2015 from approximately HK\$7.5 million for the six months ended 30 June 2014.

The Group's fees and commission income increased from approximately HK\$10.3 million for the six months ended 30 June 2014 to approximately HK\$17.8 million for the six months ended 30 June 2015. The major component of fees and commission is the commission charged to the referred clients from leveraged forex and dealing counter parties based on the trading volume. The increase was mainly due to the increased trading volume.

During the six months ended 30 June 2015, the Group recorded an exchange gain of approximately HK\$7.4 million while there was an exchange loss of approximately HK\$5.0 million during the six months ended 30 June 2014. This was mainly due to the month-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, and specifically due to the depreciation of NZD/USD exchange rate from approximately 0.7837 as at 31 December 2014 to 0.6756 as at 30 June 2015.

The Group's management fee income decreased to approximately HK\$0.7 million for the six months ended 30 June 2015 from approximately HK\$1.1 million for the six months ended 30 June 2014. This was mainly due to the Group reducing the management fee income from the non-listed group companies as a result of further business separation from the non-listed group.

Fees and commission expenses

The Group's fees and commission expenses increased by approximately 84% to approximately HK\$45.7 million for the six months ended 30 June 2015 from approximately HK\$24.8 million for the six months ended 30 June 2014. The increase was mainly due to the increase in commission payments to referral parties in response to the increased transaction volume.

Staff costs

The Group's staff cost increased by approximately 71% to approximately HK\$31.1 million for the six months ended 30 June 2015 from approximately HK\$18.2 million for the six months ended 30 June 2014. The increase was mainly attributable to the increase of staff entitlement, commission and recruitment fee payment.

Depreciation and amortization expenses

Depreciation and amortization expenses have increased by approximately 106% to approximately HK\$2.7 million for the six months ended 30 June 2015 from around HK\$1.3 million for the six months ended 30 June 2014. This increase was mainly due to newly capitalized computer equipment and leasehold improvements for the period under review.

Lease payments under land and buildings

Lease payments under land and buildings have increased by approximately 30% to approximately HK\$4.0 million for the six months ended 30 June 2015 from around HK\$3.1 million for the six months ended 30 June 2014. The increase was mainly due to Beijing office rental increase, Hong Kong office no longer sharing premises with one of the related companies and offices renewed in Sydney and Melbourne with rental increase.

Administrative and other operating expenses

The Group's administrative and other operating expenses have increased by approximately 25% to around HK\$20.9 million for the six months ended 30 June 2015 from approximately HK\$16.7 million for the six months ended 30 June 2014. The Group's software maintenance fee increased from around HK\$0.2 million for the six months ended 30 June 2014 to approximately HK\$5.7 million for six months ended 30 June 2015, due to implementation of IT system enhancement projects.

Net profit and net profit margin

For the reasons set forth above, the Group had a net profit of approximately HK\$35.2 million for the six months ended 30 June 2015, compared with a net loss of approximately \$5.8 million for the first six months in 2014. In summary, the increase in profitability of the Group was primarily contributed by:

- Higher market volatility resulting in higher leverage FX trading income and other trading income.
- Increase in the number of clients which in turn lead to higher trading volume.
- Exchange gain of foreign currency assets due to USD appreciation as at the end of the period under review.

SIGNIFICANT INVESTMENTS, THEIR PERFORMANCE AND FUTURE PROSPECTS

The Group does not have any significant investments during the period under review.

LIQUIDITY AND FINANCIAL RESOURCES

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

GEARING RATIO

The gearing ratio calculated on the basis of net debts over the total shareholders' fund as at 30 June 2015 was approximately 0.02% (31 December 2014: 0.15%).

FOREIGN CURRENCY EXPOSURE

During the period under review, the Group recorded an exchange gain of approximately HK\$7.4 million compared to a loss of approximately HK\$5.0 million for the six months ended 30 June 2014. This was mainly due to the month-end translation of monetary assets denominated in foreign currency into local reporting currency by the subsidiary of the Group in New Zealand. The main contributor to this result was the depreciation of NZ dollar exchange rate NZD/USD from approximately 0.7837 as at 31 December 2014 to 0.6756 as at 30 June 2015.

CHARGES ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2015, certain bank balances of the Group amounting to approximately HK\$12.6 million were used to secure the banking facilities and office lease bonds (31 December 2014: approximately HK\$45.5 million).

As at 30 June 2015, the Group did not have any material contingent liabilities (31 December 2014: nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND THEIR EXPECTED SOURCES OF FUNDING

The Group's future investment plans are detailed in the prospectus of the Company dated 11 June 2013 (the "Prospectus") in the section headed "Business Objectives and Future Plans".

As disclosed in the Prospectus, the Company expects to:

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

The source of funding for these investment plans is from the net proceeds of the placing as set out in the Prospectus of approximately HK\$125.3 million. The Directors presently intend that the net proceeds will be applied as follow:

	Intended amount <i>HK\$'000</i>	Intended usage up to 30 June 2015 <i>HK\$'000</i>	Actual approximate utilized up to 30 June 2015 <i>HK\$'000</i>
Expansion of operations in the worldwide overseas Chinese and Japanese communities	36,000	28,000	12,558
Increase in the range of the financial services and products of the Group	35,000	25,000	–
Further upgrade of the online trading platform of the Group	28,000	23,000	10,316
Strategic growth through mergers and acquisitions	21,000	18,000	–

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

CAPITAL STRUCTURE

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

NEW PRODUCTS AND SERVICES

During the six months ended 30 June 2015, the Group launched rubber CFD.

MATERIAL ACQUISITION AND DISPOSALS

During the six months ended 30 June 2015, the Group did not have any material acquisitions and disposals.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2015, the Group engaged a total of 82 employees (30 June 2014: a total of 62). Total staff costs including Directors' remuneration of the six months period under review amounted to approximately HK\$31.1 million (30 June 2014: approximately HK\$18.2 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.

INTERIM DIVIDEND

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

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

During the period under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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

As confirmed by Quam Capital Limited, the compliance adviser of the Company, none of Quam Capital Limited or its directors, employees and associates is materially interested in any contract or arrangement during the period under review, which is significant in relation to the business of the Group.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2015, save for the deviations as described below:

Pursuant to 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. At the annual general meeting of the Company held on 6 May 2015, save for Ms. Zhao Guixin, the independent non-executive Director of the Company, who was unable to attend that meeting due to health reason, all other Directors were present at the meeting.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the required standard of dealing as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions in securities of the Company by the Directors. Having made specific enquiry with the Directors, all the Directors confirmed that they had complied with the required standard of dealings during the six months ended 30 June 2015.

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) on 18 December 2012 with written terms of reference in compliance with the requirements as set out in Rule 5.28 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, nominate and monitor external auditors and provide advice and comments to the Directors.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Lin Wenhui, Ms. Zhao Guixin and Mr. Cornelis Jacobus Keyser. Mr. Lin Wenhui is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated results of the Group during the period under review and has provided advice and comments thereon.

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

Hong Kong, 7 August 2015

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 the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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.kvblastco.com.