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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 2016

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

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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 2016, together with the unaudited comparative figures for the corresponding period in 2015.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2016

	<i>Notes</i>	Unaudited			
		Three months ended		Six months ended	
		30 June		30 June	
		2016	2015	2016	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Leveraged foreign exchange and other trading income	4	70,260	80,476	161,021	122,412
Cash dealing income	4	712	1,459	2,919	5,351
Fee and commission income		13,822	10,063	28,951	17,808
Other (losses)/income	5	(1,031)	6,494	(3,320)	9,104
Total income		83,763	98,492	189,571	154,675
Fees and commission expenses		35,721	26,224	70,472	45,706
Staff costs	6	13,832	21,341	33,519	31,099
Depreciation and amortisation		1,856	1,485	3,650	2,702
Lease payments under land and buildings		2,767	1,999	5,557	3,989
Administrative and other operating expenses	7	17,002	13,669	29,017	20,932
Total expenses		71,178	64,718	142,215	104,428
Operating profit		12,585	33,774	47,356	50,247
Finance cost		(5)	(204)	(20)	(246)
Profit before tax		12,580	33,570	47,336	50,001
Income tax expense	8	(2,988)	(10,933)	(13,308)	(14,782)
Profit for the period		9,592	22,637	34,028	35,219
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Currency translation difference		1,433	(7,394)	5,366	(12,189)
Other comprehensive income for the period, net of tax		1,433	(7,394)	5,366	(12,189)
Total comprehensive income for the period		11,025	15,243	39,394	23,030
Earnings per share for profit attributable to the equity holders of the Company for the period					
– Basic (HK cents per share)	10	0.47	1.12	1.67	1.75
– Diluted (HK cents per share)	10	0.47	1.11	1.67	1.73

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2016

		Unaudited	Audited
		30 June	31 December
		2016	2015
	<i>Notes</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	<i>11</i>	10,522	9,397
Intangible assets	<i>12</i>	8,169	7,679
Deferred tax assets		1,953	1,893
		<hr/>	<hr/>
		20,644	18,969
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Other receivables, prepayments and deposits	<i>13</i>	9,934	7,064
Amount due from other related parties	<i>20</i>	5	–
Derivative financial instruments	<i>14</i>	51,881	224,859
Balances due from agents		34,228	41,859
Cash and bank balances and client trust bank balances	<i>15</i>	789,944	776,025
		<hr/>	<hr/>
Total current assets		885,992	1,049,807
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		906,636	1,068,776
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
EQUITY AND LIABILITIES			
Share capital	<i>18</i>	20,332	20,330
Reserves		356,175	349,925
Retained earnings		129,243	95,155
		<hr/>	<hr/>
Total equity		505,750	465,410
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

		Unaudited	Audited
		30 June	31 December
		2016	2015
	<i>Notes</i>	HK\$'000	HK\$'000
Current liabilities			
Finance lease obligations		41	43
Current income tax liabilities		11,665	13,775
Other payables and accrued liabilities	<i>16</i>	30,071	57,363
Amount due to the then immediate holding company	<i>20</i>	122	–
Amounts due to other related parties	<i>20</i>	33	73
Derivative financial instruments	<i>14</i>	4,299	3,414
Clients' balances	<i>17</i>	354,033	528,059
		<hr/> 400,264 <hr/>	<hr/> 602,727 <hr/>
Non-current liabilities			
Finance lease obligations		–	19
Deferred tax liabilities		622	620
		<hr/> 622 <hr/>	<hr/> 639 <hr/>
Total liabilities		<hr/> 400,886 <hr/>	<hr/> 603,366 <hr/>
Total equity and liabilities		<hr/> 906,636 <hr/>	<hr/> 1,068,776 <hr/>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Unaudited						
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 <i>Note 18(b)</i>	Share option reserve HK\$'000	Currency translation reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1 January 2016	20,330	180,276	171,892	9,551	(11,794)	95,155	465,410
Comprehensive income							
Profit for the period	-	-	-	-	-	34,028	34,028
Other comprehensive income for the period	-	-	-	-	5,366	-	5,366
	<u>20,330</u>	<u>180,276</u>	<u>171,892</u>	<u>9,551</u>	<u>(6,428)</u>	<u>129,183</u>	<u>504,804</u>
Total transactions with owners, recognised directly in equity							
Share option scheme <i>(Note 19)</i>	-	-	-	756	-	-	756
Issue of new ordinary shares upon exercise of share option <i>(Note 19)</i>	2	188	-	(60)	-	60	190
Balance at 30 June 2016	<u><u>20,332</u></u>	<u><u>180,464</u></u>	<u><u>171,892</u></u>	<u><u>10,247</u></u>	<u><u>(6,428)</u></u>	<u><u>129,243</u></u>	<u><u>505,750</u></u>
	Unaudited						
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 <i>Note 18(b)</i>	Share option reserve HK\$'000	Currency translation reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1 January 2015	20,000	166,928	171,892	4,339	(413)	29,977	392,723
Comprehensive income							
Profit for the period	-	-	-	-	-	35,219	35,219
Other comprehensive income for the period	-	-	-	-	(12,189)	-	(12,189)
	<u>20,000</u>	<u>166,928</u>	<u>171,892</u>	<u>4,339</u>	<u>(12,602)</u>	<u>65,196</u>	<u>415,753</u>
Total transactions with owners, recognised directly in equity							
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 <i>(Note 19)</i>	-	-	-	(638)	-	638	-
Dividends paid <i>(Note 9)</i>	-	-	-	-	-	(34,221)	(34,221)
Balance at 30 June 2015	<u><u>20,330</u></u>	<u><u>180,276</u></u>	<u><u>171,892</u></u>	<u><u>-</u></u>	<u><u>(12,602)</u></u>	<u><u>35,665</u></u>	<u><u>395,561</u></u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

		Unaudited	
		Six months ended 30 June	
		2016	2015
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities			
Profit before tax		47,336	50,001
Adjustments for:			
Depreciation and amortisation	11&12	3,650	2,702
Interest income		(847)	(827)
Share option expense		756	351
		<hr/>	<hr/>
Cash flows from operating activities before working capital changes		50,895	52,227
(Increase)/decrease in pledged time deposits		(69,169)	32,877
Increase in client trust bank balances		(6,120)	(165,778)
Decrease/(increase) in balances due from agents		7,631	(66,395)
Decrease/(increase) in derivative financial instruments		173,863	(12,989)
(Increase)/decrease in other assets and prepayments		(2,438)	2,072
Decrease/(increase) in amounts due from the then immediate holding company		122	(955)
Increase in amounts due from other related parties		(5)	(54)
Decrease in amounts due to other related parties		(40)	(488)
(Decrease)/increase in clients' balances		(174,026)	174,682
(Decrease)/increase in other payables and accrued liabilities		(27,292)	11,645
		<hr/>	<hr/>
Cash generated from operations		(46,579)	26,844
Income tax paid		(16,042)	(5,673)
		<hr/>	<hr/>
Net cash (used in)/generated from operating activities		(62,621)	21,171
		<hr/>	-----
Cash flows from investing activities			
Interest received		415	827
Purchase of property, plant and equipment and intangible assets	11&12	(5,024)	(3,179)
		<hr/>	<hr/>
Net cash used in investing activities		(4,609)	(2,352)
		<hr/>	-----

		Unaudited	
		Six months ended 30 June	
		2016	2015
	<i>Notes</i>	HK\$'000	HK\$'000
Cash flows from financing activities			
Repayment of finance lease obligations		(21)	(28)
Dividends paid	9	–	(34,221)
Proceeds from issuance of ordinary shares upon exercise of share options	19	190	13,678
		<hr/>	<hr/>
Net cash generated from/(used in) financing activities		169	(20,571)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of period	15	(67,061)	(1,752)
Effect of foreign exchange rate changes, net		373,014	343,722
		5,691	(12,413)
		<hr/>	<hr/>
Cash and cash equivalents at end of period	15	311,644	329,557
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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 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.

On 29 January 2015, CITIC Securities Company Limited (the "CITIC Securities"), a company incorporated in the People's Republic of China, acquired 1,200,000,000 shares of the Company (the "Sale Shares") from the controlling shareholder, KVB Kunlun Holdings Limited (the "Transaction"). In accordance with the Share Purchase Agreement, CITIC Securities nominated CITIC Securities Overseas Investment Company Limited (the "CITIC Securities Overseas"), a wholly-owned subsidiary of CITIC Securities, which was incorporated in Hong Kong, to purchase the full legal and beneficial ownership of the Sale Shares.

Subsequent to the completion of the Transaction, CITIC Securities Overseas held 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 became the immediate holding company while CITIC Securities became the ultimate holding company of the Company.

As at 30 June 2016, 59.03% of the total issued shares of the Company were held by CITIC Securities Overseas, 14.75% of issued shares were held by KVB Kunlun Holdings Limited and the remaining 26.22% of issued shares are listed on GEM.

As a consequence of the completion of the Transaction, companies owned by KVB Kunlun Holdings Limited ceased to be the fellow subsidiaries. Accordingly, such companies are now referred to as "other related parties" throughout this interim financial information.

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

On 2 June 2016, Zhuhai Hengqin Kunlun Financial Exchange Limited ("KVB ZHHQ"), a wholly-owned subsidiary of the Company, entered into a membership agreement with Tianjin Precious Metals Exchange Limited ("TPME"), whereby TPME will provide KVB ZHHQ a spot trading and settlement platform for precious metals trading. It will also provide the relevant consulting, training and management services to KVB ZHHQ. Please refer to Note 12 to the consolidated interim financial information for further details.

2 BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2016 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 annual financial statements for the year ended 31 December 2015, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by HKICPA.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015.

There are no 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.

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

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 Group's annual financial statements as at 31 December 2015.

There has been no change in the risk management policies since last 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 Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group currently does not have a foreign currency policy to hedge its currency exposure arising from the net assets of the Group's foreign operations.

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 30 June 2016 and 31 December 2015. Included in the tables are the assets and liabilities at carrying amounts in HK\$ equivalent, categorised by the original currency.

As at 30 June 2016 (Unaudited)

	HK\$ HK\$'000	NZD HK\$'000	AUD HK\$'000	USD HK\$'000	JPY HK\$'000	RMB HK\$'000	Others HK\$'000	Total HK\$'000
Assets								
Other receivables and deposits	2,962	197	146	472	–	1,832	–	5,609
Derivative financial instruments	–	22,131	4,057	25,463	226	–	4	51,881
Balances due from agents	139	519	20	31,058	1,954	22	516	34,228
Cash and bank balances and client trust bank balances	29,461	12,916	59,526	679,366	3,477	4,440	758	789,944
Liabilities								
Finance lease obligation	–	–	41	–	–	–	–	41
Other payables	6,449	858	833	11,255	–	387	–	19,782
Amount due to the then immediate holding company	–	–	–	122	–	–	–	122
Amounts due to other related parties	–	–	–	33	–	–	–	33
Derivative financial instruments	–	1,294	3	3,002	–	–	–	4,299
Clients' balances	–	12,654	33,507	306,038	1,834	–	–	354,033

As at 31 December 2015 (Audited)

	HK\$ HK\$'000	NZD HK\$'000	AUD HK\$'000	USD HK\$'000	JPY HK\$'000	RMB HK\$'000	Others HK\$'000	Total HK\$'000
Assets								
Other receivables and deposits	2,952	20	60	259	–	2,040	–	5,331
Derivative financial instruments	–	23,367	10,584	190,423	485	–	–	224,859
Balances due from agents	501	1,651	470	36,868	1,855	16	498	41,859
Cash and bank balances and client trust bank balances	46,973	27,207	49,549	639,069	3,909	9,248	70	776,025
Liabilities								
Finance lease obligation	–	–	62	–	–	–	–	62
Other payables	6,024	1,156	1,755	13,502	–	553	–	22,990
Amounts due to other related parties	–	–	–	73	–	–	–	73
Derivative financial instruments	–	446	22	2,946	–	–	–	3,414
Clients' balances	–	16,336	39,839	470,239	1,645	–	–	528,059

The following table indicates the impact on the Group's profit before taxation to movements in foreign exchange rate as at 30 June 2016 and 31 December 2015:

Foreign currency risk	Movement in foreign currency	Unaudited 30 June 2016 HK\$'000	Movement in foreign currency	Audited 31 December 2015 HK\$'000
AUD	+/-6%	+/-1,762	+/-8%	+/-1,519
JPY	+/-9%	+/-344	+/-3%	+/-138
NZD	+/-6%	+/-1,257	+/-10%	+/-3,430
RMB	+/-2%	+/-118	+/-5%	+/-538

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 2016 and 2015.

The segment information provided to the management for the reportable segments for the six months ended 30 June 2016 and 2015 is as follows:

For the six months ended 30 June 2016 (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	161,018	3	2,919	-	-	-	-	163,940
Inter-segment sales	-	54,607	-	6,115	7,942	-	(68,664)	-
Segment revenue	161,018	54,610	2,919	6,115	7,942	-	(68,664)	163,940
Fee and commission income	28,364	-	-	-	-	587	-	28,951
Other income	973	-	54	-	59	(4,406)	-	(3,320)
Total revenue and other income	<u>190,355</u>	<u>54,610</u>	<u>2,973</u>	<u>6,115</u>	<u>8,001</u>	<u>(3,819)</u>	(68,664)	<u>189,571</u>
Segment profit	43,971	50,225	2,132	1,041	6,261	(3,819)	-	99,811
Other staff costs	-	-	-	-	-	-	-	(22,496)
Other unallocated administrative and operating expenses	-	-	-	-	-	-	-	(29,979)
Profit before tax	-	-	-	-	-	-	-	47,336
Income tax expense	-	-	-	-	-	-	-	(13,308)
Profit for the period	-	-	-	-	-	-	-	<u>34,028</u>
Other segment information: Depreciation and amortisation	-	45	-	-	9	3,596	-	3,650
Finance cost	20	-	-	-	-	-	-	20

For the six months ended 30 June 2015 (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	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
Fee and commission income	17,165	-	-	-	-	643		17,808
Other income	223	-	55	-	94	8,732		9,104
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

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	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
New Zealand	163,937	127,608
Others	3	155
	163,940	127,763

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 differences from the Company's 2015 annual report in the basis of segmentation or in the basis of measurement of segment profit or loss.

5 OTHER (LOSSES)/INCOME

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision of management services <i>(Note 20 (i))</i>	–	351	–	680
Interest income	400	423	847	827
Exchange (losses)/gain, net	(1,682)	5,531	(5,007)	7,408
Others	251	189	840	189
	(1,031)	6,494	(3,320)	9,104

6 STAFF COSTS

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs:				
Salaries and allowances	13,175	20,862	32,098	30,151
Pension scheme contributions	309	296	665	597
Share option expenses (<i>Note 19</i>)	348	183	756	351
	<u>13,832</u>	<u>21,341</u>	<u>33,519</u>	<u>31,099</u>

7 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Management fees paid to the then immediate holding company (<i>Note 20 (ii)</i>)	215	256	431	512
Other office occupation expenses	743	484	1,464	970
Auditor's remuneration				
– Audit services	611	776	1,218	1,324
– Non-audit services	54	56	106	154
Information services expenses	1,085	1,099	1,984	1,835
Professional and consultancy fee	1,295	580	1,842	1,273
Repair and maintenance (including system maintenance)	4,222	4,614	5,376	5,838
Marketing, advertising and promotion expenses	3,095	1,456	5,817	2,499
Handling fee expenses	2,567	1,131	5,099	1,395
Travelling expenses	1,177	869	1,860	1,385
Entertainment expenses	279	743	449	1,050
Insurance	151	144	353	267
Clients' debit balances written off	229	594	338	754
Staff training	21	249	863	252
Others	1,258	618	1,817	1,424
	<u>17,002</u>	<u>13,669</u>	<u>29,017</u>	<u>20,932</u>

8 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit in Hong Kong for each of the respective periods. Taxation on overseas profits has been calculated on the estimated assessable profit for the respective periods at the rates of taxation prevailing in the countries in which the Group operates. The income tax expenses of the Group are charged at a tax rate of 28% in New Zealand and 30% in Australia respectively in accordance with the local tax authorities.

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax:				
Charge for the period	2,927	10,815	13,184	14,582
Others	61	118	124	200
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income tax expense	<u>2,988</u>	<u>10,933</u>	<u>13,308</u>	<u>14,782</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 approved the payment of the first quarterly dividend of HK0.618 cents per ordinary share. A total of approximately HK\$12,492,000 was paid to then shareholders on 1 June 2015.

The Board does not declare the payment of any dividend for the six months ended 30 June 2016 (for the six months ended 30 June 2015: Nil).

10 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		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	<u>9,592</u>	<u>22,637</u>	<u>34,028</u>	<u>35,219</u>
	<i>No. of shares</i>	<i>No. of shares</i>	<i>No. of shares</i>	<i>No. of shares</i>
Weighted average number of ordinary shares in issue	<u>2,033,240,000</u>	<u>2,022,888,791</u>	<u>2,033,218,022</u>	<u>2,011,507,624</u>
Basic earnings per share (HK cents)	<u><u>0.47</u></u>	<u><u>1.12</u></u>	<u><u>1.67</u></u>	<u><u>1.75</u></u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the period attributable to equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares under the share option scheme into ordinary shares.

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	<u>9,592</u>	<u>22,637</u>	<u>34,028</u>	<u>35,219</u>
	<i>No. of shares</i>	<i>No. of shares</i>	<i>No. of shares</i>	<i>No. of shares</i>
Weighted average number of ordinary shares in issue	<u>2,033,240,000</u>	<u>2,022,888,791</u>	<u>2,033,218,022</u>	<u>2,011,507,624</u>
Adjustments for share options (Note 19)	<u>–</u>	<u>13,771,854</u>	<u>–</u>	<u>25,193,478</u>
Weighted average number of shares for the purpose for calculating diluted earnings per share	<u>2,033,240,000</u>	<u>2,036,660,645</u>	<u>2,033,218,022</u>	<u>2,036,701,102</u>
Diluted earnings per share (HK cents)	<u><u>0.47</u></u>	<u><u>1.11</u></u>	<u><u>1.67</u></u>	<u><u>1.73</u></u>

Note:

Diluted earnings per share for the six-month period and three-month period ended 30 June 2016 was same as the basic earnings per share as the outstanding share options are anti-dilutive and had no dilutive effect.

11 PROPERTY, PLANT AND EQUIPMENT

	Unaudited 30 June 2016 HK\$'000	Unaudited 30 June 2015 HK\$'000
Opening net carrying amount	9,397	7,062
Exchange adjustments	54	(355)
Additions	3,162	2,583
Depreciation	<u>(2,091)</u>	<u>(1,814)</u>
Closing net carrying amount	<u>10,522</u>	<u>7,476</u>

12 INTANGIBLE ASSETS

	Unaudited 30 June 2016 HK\$'000	Unaudited 30 June 2015 HK\$'000
Opening net carrying amount	7,679	5,083
Exchange adjustments	187	(530)
Additions (<i>Note (a)</i>)	1,862	596
Amortisation	<u>(1,559)</u>	<u>(888)</u>
Closing net carrying amount	<u>8,169</u>	<u>4,261</u>

Note:

- (a) Included in the amount is HK\$1,751,400, which represents the fee paid pursuant to the membership agreement with TPME, as mentioned in Note 1.2 to the consolidated interim financial information.

13 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Rental and utility deposits	4,779	4,825
Prepayments	4,325	1,733
Other receivables	<u>830</u>	<u>506</u>
Total	<u>9,934</u>	<u>7,064</u>

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

14 DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 June 2016 <i>HK\$'000</i>	Audited 31 December 2015 <i>HK\$'000</i>
Current assets		
Derivative foreign exchange contracts	51,881	224,859
Current liabilities		
Derivative foreign exchange contracts	(4,299)	(3,414)
Total	47,582	221,445

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 2016 and 31 December 2015 were HK\$1,701,769,000 and HK\$10,566,270,000 respectively.

15 CASH AND BANK BALANCES AND CLIENT TRUST BANK BALANCES

	Unaudited 30 June 2016 <i>HK\$'000</i>	Audited 31 December 2015 <i>HK\$'000</i>
Cash and bank balances	310,241	371,655
Fixed deposits with banks	164,586	95,373
Client trust bank balances	315,117	308,997
	789,944	776,025

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 2016 and 31 December 2015, fixed deposits of approximately HK\$163,183,000 and HK\$94,014,000 respectively were pledged to banks for banking facilities. No overdraft banking facility was utilised by the Group as at 30 June 2016 and 31 December 2015. No bank deposits were collateral deposits placed by the Group with market makers as at 30 June 2016 (31 December 2015: nil).

16 OTHER PAYABLES AND ACCRUED LIABILITIES

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Accrued rental benefit	222	322
Accrued audit fees	1,226	2,041
Accruals	6,763	5,352
Commission payable	10,979	12,574
Employee entitlements	9,903	33,811
Deferred income	386	562
Other payables	592	2,701
	<u>30,071</u>	<u>57,363</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 and the unrealised profit or loss from their trading activities under normal course of business. The carrying amounts approximate to their fair values.

18 SHARE CAPITAL AND CAPITAL RESERVE

(a) Share capital

	Number of shares in issue	Issued share capital HK\$'000
As at 1 January 2015	2,000,000,000	20,000
Issuance of new ordinary shares upon exercise of share options (<i>Note (i)</i>)	33,040,000	330
As at 30 June 2015	<u>2,033,040,000</u>	<u>20,330</u>
As at 1 January 2016	2,033,040,000	20,330
Issuance of new ordinary shares upon exercise of share options (<i>Note (ii)</i>)	200,000	2
As at 30 June 2016	<u>2,033,240,000</u>	<u>20,332</u>

Notes:

- (i) 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 the price of HK\$0.414. (Note 19)
- (ii) For the six-month period ended 30 June 2016, a total of 200,000 shares were issued to the share option holders who exercised their subscription rights at the price of HK\$0.95. (Note 19)

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

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

Subsequent to the acquisition of approximately 60% of the ordinary shares of the Company by CITIC Securities, as mentioned in Note 1 to the consolidated 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 the price of HK\$0.414 prior to the Offer closing date;
- the share option holders of 520,000 vested options and 3,870,000 unvested options accepted the offer and received cash consideration made by CITIC Securities at HK\$0.236 per option;
- for the remaining 700,000 vested options remaining unexercised and 100,000 unvested options which the share option holders hereof did not accept the Offer, these options were automatically lapsed and are not exercisable after 29 June 2015, being one month after the Offer becomes or is declared unconditional.

The share option expenses of the unvested share options amounting to HK\$131,000 were recognised immediately to the consolidated interim statement of comprehensive income pursuant to the 3,970,000 share options remain unvested as at 29 May 2015, and the corresponding share option reserves balance of HK\$638,000 was transferred to the retained earnings.

As a result, a total of HK\$351,000 share option expenses were charged during the six-month period ended 30 June 2015, which included HK\$131,000 arising from the unvested options cancelled, to the consolidated interim statement of comprehensive income.

On 19 August 2015, the Board of Directors of the Company granted 40,000,000 share options to 95 individuals (“Grantees”) for their subscription of new ordinary shares of HK\$0.01 each in the share capital of the Company.

These share options are exercisable at HK\$0.95 per share, with varying vesting period and validity from the date of grant. 35 out of 95 of the Grantees were granted share options which are exercisable for a period of three years commencing on the date of grant to 18 August 2018. 12 out of 95 of the Grantees were granted share options which are exercisable for a period of three years commencing on the date falling on the first anniversary of the date of grant to 18 August 2019, with a vesting period of one year from the date of grant. The remaining 48 Grantees were granted options which are exercisable for a period of two years commencing on the date falling on the second anniversary of the date of grant to 18 August 2019, with a vesting period of two years from the date of grant. Among the 40,000,000 share options granted, 12,200,000 share options were granted to the directors and chief executives of the Company.

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

Movements in the number of share options outstanding are as follows:

Grantee	Date of grant	Outstanding as at 31 December 2015	Granted during the period	Forfeited during the period	Exercised during the period	Outstanding as at 30 June 2016	Exercise price HK\$	Exercise period
Liu Stefan	19 August 2015	8,300,000	-	-	-	8,300,000	0.95	19 August 2015 to 18 August 2018
Ng Chee Hung Frederick	19 August 2015	2,000,000	-	-	-	2,000,000	0.95	19 August 2015 to 18 August 2018
Stephen Gregory McCoy	19 August 2015	1,000,000	-	-	-	1,000,000	0.95	19 August 2015 to 18 August 2018
Zhao Guixin	19 August 2015	300,000	-	-	-	300,000	0.95	19 August 2015 to 18 August 2018
Corenlis Jacobus Keyser	19 August 2015	300,000	-	-	-	300,000	0.95	19 August 2015 to 18 August 2018
Lin Wenhui	19 August 2015	300,000	-	-	-	300,000	0.95	19 August 2015 to 18 August 2018
Employees of group companies	19 August 2015	16,700,000	-	-	(200,000)	16,500,000	0.95	19 August 2015 to 18 August 2018
Employees of group companies	19 August 2015	1,250,000	-	-	-	1,250,000	0.95	19 August 2016 to 18 August 2019
Employees of group companies	19 August 2015	6,740,000	-	(1,400,000)	-	5,340,000	0.95	19 August 2017 to 18 August 2019
Consultants	19 August 2015	950,000	-	(400,000)	-	550,000	0.95	19 August 2016 to 18 August 2019
Consultants	19 August 2015	800,000	-	-	-	800,000	0.95	19 August 2017 to 18 August 2019
		<u>38,640,000</u>	<u>-</u>	<u>(1,800,000)</u>	<u>(200,000)</u>	<u>36,640,000</u>		

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. Details of the share options granted on 19 August 2015 was as follows:

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

The measurement date of the share options was 19 August 2015, being the date of grant of the share options. The expected dividend yield is determined with reference to historical dividend payment history of comparable listed companies up to the measurement date. The expected volatility of share price is determined with reference to annualised historical weekly volatility of comparable listed companies' share prices as of the valuation date, as extracted from Bloomberg.

A total of HK\$756,000 share option expenses were recognised in the consolidated statement of comprehensive income during the current period.

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 recognised 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.

		Unaudited	
		Six months ended 30 June	
		2016	2015
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Transactions			
Management fee income for the provision of group management, information technology, marketing and administration support from:			
– other related parties	<i>(i)</i>	–	680
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	<i>(ii)</i>	431	512
Amount paid for the provision of software development and maintenance services, IT infrastructure project management and maintenance services and IT risk assessment services to:			
– an other related party	<i>(iii)</i>	4,658	5,495
Service fee expense for the provision of foreign exchange conversion services to:			
– other related parties	<i>(iv)</i>	289	–
Referral fee expense for introducing and referring clients to:			
– an other related party	<i>(v)</i>	6	–
Outstanding balances			
Due from related parties:			
– other related parties	<i>(vi)</i>	5	–
Due to related parties:			
– other related parties	<i>(vi)</i>	33	73
– the then immediate holding company		122	–

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) Amounts are paid for the provision of software development and maintenance services, IT infrastructure project management and maintenance services and IT risk assessment services. The amounts are determined in accordance with the fee agreement.

- (iv) Service fee expenses are charged for the provision of foreign exchange conversion services and the fee are determined with reference to the exchange rates as indicated by external banks plus an agreed transaction fee.
- (v) Referral fee expenses are paid to a related party who introduce and refer prospective clients to the Group and are determined in accordance with the fee agreement.
- (vi) Amounts due from/(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.

	Unaudited 30 June 2016 <i>HK\$'000</i>	Audited 31 December 2015 <i>HK\$'000</i>
Within one year	17,408	14,617
One to five years	20,074	20,187
	37,482	34,804

22 APPROVAL OF INTERIM FINANCIAL INFORMATION

The interim financial information was approved and authorised for issue by the Board on 5 August 2016.

BUSINESS REVIEW AND FINANCIAL PERFORMANCE

Business review

During the first six months in 2016, we have seen a moderate growth in revenue and the total clients' trading volume, by comparing to the figures of the first half-year in 2015. Trading conditions were favorable as the overall market volatility was relatively high throughout the first six months in 2016.

XAU/USD was the mostly traded product, followed by USCRUDE, CHINA300 and EUR/USD. Commodity and index-CFD products became more popular in the first six months of 2016. The trading volumes in XAU/USD and USCRUDE experienced a significant growth compared with the same period in 2015.

The trading price of high and low points of XAU/USD were 1,358.50 and 1,062.20, with range of 296.30 dollar/ounce compare to the range of 164.72 dollar/ounce in the same period of 2015. The high and low trading price of USCRUDE were at 51.6 and 26.06 with the range of 25.54 dollar/barrel, compared to the range of 20.54 dollar/barrel in the same period of 2015. CHINA300 were trading at highest of 3,656 and lowest of 2,734, within a range of 922 index points in the first six months of 2016, compared to the range of 2,113 index-points range in the same period of 2015. EUR/USD were trading at high 1.1615 and low at 1.0710 with range of 905 pips compared to the range of 1,645 pips in the same period of 2015.

The retail margin FX trading market is highly competitive. These include international multi-product trading firms, other online trading firms, and other financial institutions. We expect that the market will remain at a high level of competition in the second half of the year and the foreseeable future. Our other objective is to exert our efforts to improve our service to meet the needs of our clients, and provide them with more trading opportunities in the global financial markets.

Six months ended 30 June 2016 compared with six months ended 30 June 2015

Total income

The total income of the Group increased by approximately 22.6% to approximately HK\$189.6 million for the six months ended 30 June 2016 from approximately HK\$154.7 million for the six months ended 30 June 2015.

A. *Leveraged foreign exchange and other trading income*

The leveraged foreign exchange and other trading income of the Group increased by approximately 31.5% to approximately HK\$161.0 million for the six months ended 30 June 2016 from approximately HK\$122.4 million for the six months ended 30 June 2015. This is mainly due to the higher trading volume and market volatility during the six months ended 30 June 2016 as compared to the six months ended 30 June 2015.

B. *Cash dealing income*

The cash dealing income of the Group decreased by approximately 45.4% from approximately HK\$5.4 million for the six months ended 30 June 2015 to HK\$2.9 million for the six months ended 30 June 2016. The decrease was mainly attributable to its lower trading volume and conservative trading strategy.

C. *Fee and commission income*

The fee and commission income of the Group increased by approximately 62.6% from approximately HK\$17.8 million for the six months ended 30 June 2015 to HK\$29.0 million for the six months ended 30 June 2016. The increase was mainly due to increase in trading volume in leveraged foreign exchange.

D. *Other (losses)/income*

The Group recorded other losses of approximately HK\$3.3 million for the six months ended 30 June 2016 compared to other income of approximately HK\$9.1 million for the six months ended 30 June 2015.

During the six months ended 30 June 2016, the Group recorded an exchange loss of approximately HK\$5.0 million while there was an exchange gain of approximately HK\$7.4 million during the six months ended 30 June 2015. 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.

No management fee income was received by the Group for the six months ended 30 June 2016 while there was approximately HK\$0.7 million for the six months ended 30 June 2015. This is mainly due to the fact that the Group has no longer received management fee income from KVB Kunlun Holdings Limited and its subsidiaries (collectively, the “Non-Listed Group”), which no longer belong to the Group as a result of further business separation from the Non-Listed Group.

Fees and commission expenses

The fees and commission expenses of the Group increased by approximately 54.2% to approximately HK\$70.5 million for the six months ended 30 June 2016 from approximately HK\$45.7 million for the six months ended 30 June 2015. The increase was mainly due to the increase in trading volume of the clients of the Group referred by service providers.

Staff costs

The staff cost of the Group increased by approximately 7.8% to approximately HK\$33.5 million for the six months ended 30 June 2016 from approximately HK\$31.1 million for the six months ended 30 June 2015. The increase was mainly due to increase in salary level.

Depreciation and amortisation

Depreciation and amortisation increased by approximately 35.1% to approximately HK\$3.7 million for the six months ended 30 June 2016 from approximately HK\$2.7 million for the six months ended 30 June 2015. The increase was mainly due to the upgrade of computer software and hardware for the period under review.

Lease payments under land and buildings

Lease payments under land and buildings increased by approximately 39.3% to approximately HK\$5.6 million for the six months ended 30 June 2016 from approximately HK\$4.0 million for the six months ended 30 June 2015. The increase was mainly due to the increased rental expenses in Hong Kong office, as it no longer shares office space with other companies in the Non-Listed Group, and Zhuhai office also rented a new office since October 2015.

Administrative and other operating expenses

The administrative and other operating expenses of the Group increased by approximately 38.6% to approximately HK\$29.0 million for the six months ended 30 June 2016 from approximately HK\$20.9 million for the six months ended 30 June 2015. This increase was primarily due to the increase in marketing expenses by approximately HK\$3.3 million during the six months ended 30 June 2016 as compared with the six months ended 30 June 2015. This is mainly due to the increase in regional media marketing activities. Customer promotion expenses also increased by approximately HK\$3.7 million during the six months ended 30 June 2016 as compared with the six months ended 30 June 2015 as the result of active promotion activities occurring in 2016.

Net profit and net profit margin

For the reasons set forth above, the Group achieved net profit of approximately HK\$34.0 million for the six months ended 30 June 2016 compared with the net profit of approximately HK\$35.2 million for the six months ended 30 June 2015. The net profit margin for the six months ended 30 June 2016 was approximately 18.0%.

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

- Revaluation loss due to appreciation in reporting currencies against holding currencies;
- Higher transaction volume resulting in higher fee and commission expenses; and
- Increased expenses in few main items due to business expansion.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2016, cash and bank balances held by the Group amounted to approximately HK\$474.8 million. (As at 31 December 2015: HK\$467.0 million)

GEARING RATIO

The gearing ratio calculated on the basis of net debts (financial lease obligation and amounts due to other related parties) over the total shareholders' fund as at 30 June 2016 was approximately 0.04% (As at 31 December 2015: 0.03%).

FOREIGN CURRENCY EXPOSURE

During the period under review, the Group recorded an exchange loss of approximately HK\$5.0 million (2015: approximately gain of HK\$7.4 million). This was mainly due to the month end translation of monetary assets denominated in foreign currency into local reporting currency by the subsidiary of the Group in New Zealand. The main contributor to this result was the depreciation of USD and the exchange rate of USD/NZD changed from approximately 1.4612 as at 31 December 2015 to 1.4071 as at 30 June 2016. The foreign currency risk is managed proactively by regular review of the currency positions in the basket of currency mix. In order to minimise the exposure of the Group to risk, the Group has hedge strategy based on prevailing market conditions and working capital requirements of sub-companies.

CAPITAL STRUCTURE

During the 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.

NEW PRODUCTS AND SERVICES

The Group launched new currency pairs of AUD/CNH and NZD/CNH in May 2016.

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

During the six months ended 30 June 2016, the Group did not have any material acquisitions and disposals.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Group engaged a total of 86 employees (as at 31 December 2015: a total of 89). Total staff costs including Directors' remuneration for the period under review amounting to approximately HK\$33.5 million (2015: HK\$31.1 million). The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of individual employees. The Group provides retirement benefits in accordance with the relevant laws and regulations in the place where the staff is employed. The Company has adopted a share option scheme pursuant to which the Directors and employees of the Group are entitled to participate.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2016, certain bank balances of the Group amounting to approximately HK\$163.2 million (as at 31 December 2015: HK\$94.0 million) were used to secure the banking facilities and the offices lease bonds. As at 30 June 2016, the Group did not have any material contingent liabilities (as at 31 December 2015: nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Zhuhai Hengqin Kunlun Financial Exchange Limited ("KVB ZHHQ"), an indirect wholly-owned subsidiary of the Company, has entered into a Membership Agreement with TPME (Tianjin Precious Metals Exchange Limited), which is a company incorporated in the People's Republic of China and a recognized investment exchange under the Tianjin Municipal People's Government. In line with the Group's development schedule, KVB ZHHQ will take the necessary action to broaden the Group's customer base and enhance its trading volume and profit in precious metal.

INTERIM DIVIDEND

The Board does not declare the payment of any dividend for the six months ended 30 June 2016 (for the six months ended 30 June 2015: Nil).

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

During the six months ended 30 June 2016, 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 15 of the GEM Listing Rules throughout the six months ended 30 June 2016, except for the following deviations:

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 12 May 2016, Ms. Zhao Guixin, an independent non-executive Director, who was unable to attend that meeting due to health reason.

Pursuant to code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. At the annual general meeting of the Company held on 12 May 2016, Mr. Li Zhi Da, the Chairman and a non-executive Director, was unable to attend that meeting due to health reason.

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

As confirmed by Lego Corporate Finance Limited, the compliance adviser of the Company, none of Lego Corporate Finance Limited or its directors, employees and close associates is materially interested in any contract or arrangement during the six months ended 30 June 2016, which is significant in relation to the business of the Group.

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 2016 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

During the six months ended 30 June 2016, none of the Directors or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group.

REVIEW OF FINANCIAL STATEMENTS

The Company established an audit committee (the "Audit Committee") on 18 December 2012 with written terms of reference in compliance with the requirements as set out in Rule 5.28 of the GEM Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. Lin Wenhui, Ms. Zhao Guixin and Mr. Cornelis Jacobus Keyser. Mr. Lin Wenhui is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control system of the Company, nominate and monitor external auditors and provide advice and comments to the Directors. The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2016 and has provided advice and comments thereon.

PricewaterhouseCoopers as the Company's auditors has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2016 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 HKICPA.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has 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 2016.

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

Hong Kong, 5 August 2016

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

Executive Directors

Mr. Liu Stefan
Mr. Ng Chee Hung Frederick

Non-executive Directors

Mr. Li Zhi Da
Mr. Stephen Gregory McCoy

Independent Non-executive Directors

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

This announcement will remain on the website of GEM of the Stock Exchange at www.hkgem.com on the “Latest Company Announcements” page for at least seven days from the day of its posting and on the website of the Company at www.kvblastco.com.