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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NEW CONTINUING CONNECTED TRANSACTION

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

The Group has been carrying on transactions pursuant to the Existing Agreements which constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. The Existing Agreements will expire on 31 December 2015 and it is expected that the Group will continue to enter into transactions of a nature substantially similar to the transactions under those agreements from time to time thereafter. Therefore, in view of the above, on 18 December 2015, the Company and KVB Holdings entered into the Renewed Office Licence Agreement for a term of three years commencing from 1 January 2016 and expiring on 31 December 2018 and KVB New Zealand, being an indirect wholly-owned subsidiary of the Company, and the Non-listed Group Companies, being indirect wholly-owned subsidiaries of KVB Holdings, entered into the Renewed Cash Dealing Agreement for a term of six months commencing from 1 January 2016 and expiring on 30 June 2016 respectively.

KVB Holdings is a substantial shareholder of the Company. Therefore KVB Holdings and the Non-listed Group Companies are connected persons of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Renewed Office Licence Agreement and the Renewed Cash Dealing Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As (i) the applicable percentage ratios for the proposed caps of the transactions contemplated under the Renewed Office Licence Agreement are expected to exceed 0.1% but less than 5% on an annual basis; and (ii) the applicable percentage ratios for the proposed cap of the transactions contemplated under the Renewed Cash Dealing Agreement are expected to be less than 25% and the total consideration is less than HK\$10,000,000, such transactions are subject to the reporting, announcement and annual review requirements but are exempt from independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

NEW CONTINUING CONNECTED TRANSACTION

On 18 December 2015, the Software Licence Agreement was entered into between the Company and Banclogix, pursuant to which Banclogix shall grant the Company a three-year licence for certain software to enable the Group to, *inter alia*, use the routing service and data integration layer developed by Banclogix, whereby the ForexStar trading platform of the Company is expected to be enhanced and the Company will be able to distribute trade transactions across multiple servers and handle large quantities of transactions for its leveraged foreign exchange trading business.

Banclogix is a wholly-owned subsidiary of KVB Holdings, being a substantial shareholder of the Company, and is therefore a connected person of the Company under Chapter 20 of the GEM Listing Rules. The Software Licence Agreement constitutes a continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

As the applicable percentage ratios for the proposed cap are more than 0.1% but less than 5%, such continuing connected transaction is subject to the reporting, announcement and annual review requirements but is exempt from independent shareholders' approval requirement under the GEM Listing Rules.

RENEWAL OF CONTINUING CONNECTED TRANSACTION

Background

Reference is made to certain transactions carried on by the Group which constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules as disclosed in the section headed "Connected Transaction – Non-Exempt Continuing Connected Transactions" in the Company's Prospectus dated 11 June 2013 in relation to, *inter alia*, the Existing Agreements.

The Existing Agreements will expire on 31 December 2015 and it is expected that the Group will continue to enter into transactions of a nature substantially similar to the transactions under the abovementioned agreements from time to time thereafter.

In view of the above and with a view to carrying on or enabling these transactions after the expiry of the Existing Agreements, the following agreements were entered into by the Group:

- (a) the Renewed Office Licence Agreement; and
- (b) the Renewed Cash Dealing Agreement.

On 18 December 2015, the Company entered into the Renewed Office Licence Agreement and KVB New Zealand entered into the Renewed Cash Dealing Agreement respectively which constitute continuing connected transactions of the Company subject to the reporting, announcement and annual review requirements but are exempt from independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

(A) Renewed Office Licence Agreement

The principal terms of the Renewed Office Licence Agreement are set out below:

- Date: 18 December 2015
- Parties: (1) the Company; and
(2) KVB Holdings.
- Term: from 1 January 2016 to 31 December 2018, both dates inclusive
- Subject matter: The Company shall provide and shall procure its subsidiaries to provide the sharing of office premises (including the sharing of office space, furnishings and facilities) to KVB Holdings and its associates at the following locations:
- Level 10, The National Bank Tower, 205 Queen Street, Auckland, New Zealand;
 - Level 18, Citigroup Centre, 2 Park Street, Sydney, NSW 2000, Australia; and
 - Level 138, 120 Collins Street, Melbourne, VIC 2000, Australia.
- Price: The fees payable and the proposed annual caps for the transactions contemplated under the Renewed Office Licence Agreement are determined based on the approximate area occupied by KVB Holdings and/or the relevant associates of KVB Holdings, the monthly rental of the entire office premises as at the date of signing of the relevant tenancy agreements with reference to the then prevailing market price, together with the property management fees, government rates and rent and the currency fluctuation.
- Other terms: The Renewed Office Licence Agreement also includes a provision that the performance of the duties and obligations under the agreement is subject to compliance with the relevant requirements for continuing connected transactions under the GEM Listing Rules.

Historical Amounts

The aggregate amounts recognised by the Group for the transactions contemplated under the Office Licence Agreement in respect of each of the financial years ended 31 December 2013, 31 December 2014 and the nine months ending 30 September 2015 were approximately HK\$10,008,000, HK\$8,838,000 and HK\$4,296,000 respectively.

Annual Caps

The annual caps for the transactions contemplated under the Renewed Office Licence Agreement are set out below:

	For the year ending 31 December 2016	For the year ending 31 December 2017	For the year ending 31 December 2018
Annual caps	HK\$4,000,000	HK\$4,500,000	HK\$5,000,000

The above caps were determined by reference to (a) the historical transaction amounts noting that historically the transactions included the sharing of office space in Hong Kong whereas KVB Holdings has ceased sharing such office space and such space is not included in the Renewed Office Licence Agreement; (b) the prevailing market rent and the approximate area occupied by KVB Holdings and/or the relevant associates; and (c) anticipated rental rates for the next three years in the locations of the premises.

Relationship between the Company and the connected persons

KVB Holdings owns approximately 14.76% of the issued share capital of the Company as at the date of this announcement and is accordingly a substantial shareholder of the Company. KVB Holdings and its associates are therefore connected persons of the Company. Accordingly the Renewed Office Licence Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

GEM Listing Rules implications

As the applicable percentage ratios for the annual caps of the transactions contemplated under the Renewed Office Licence Agreement are expected to exceed 0.1% but less than 5% on an annual basis, such transactions are only subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirement under Chapter 20 of the Listing Rules.

(B) Renewed Cash Dealing Agreement

The principal terms of the Renewed Cash Dealing Agreement are set out below:

Date:	18 December 2015
Parties:	(1) KVB New Zealand; and (2) KVB Canada, KVB FX and KVB FX PTY.
Term:	from 1 January 2016 to 30 June 2016, both dates inclusive
Subject matter:	KVB New Zealand shall provide cash dealing services including the provision of the exchange of currencies and in particular the provision of currency exchange at a rate determined at the time of the transaction.

Price: The services will be provided at fair value at the time of the transaction, which is equivalent to the currency exchange rate as quoted by the forex data feed database of KVB New Zealand with the prevailing market rates fed in order of priority from different bank counterparties at the relevant time of the transactions without additional service or administration fee.

Other terms: The Renewed Cash Dealing Agreement also includes a provision that the performance of the duties and obligations under the agreement are subject to compliance with the relevant requirements for continuing connected transactions under the GEM Listing Rules.

Term of Agreement

The term of the existing Cash Dealing Agreement is for a period of three years expiring on 31 December 2015 and was negotiated with the Non-listed Group Companies at a time when KVB Holdings was the controlling shareholder of the Company. However, following the completion of the Share Purchase Agreement and the Offers which were announced in the joint announcements of the Company and CITIC Securities Company Limited dated 29 May 2015 and 26 June 2015 respectively, KVB Holdings has ceased to be the controlling shareholder of the Group.

Subsequent to the completion of the Share Purchase Agreement and the Offers, KVB Holdings and the Company have been in discussions over the future relationship in respect of the Cash Dealing Services. As at the date of this announcement, these discussions are ongoing and accordingly the Non-listed Group Companies have agreed to enter into a short-term agreement for a term of six months to continue the services after the expiry of the Cash Dealing Agreement while the parties continue to negotiate a further longer term agreement.

As the negotiations are ongoing, in the event that the Renewed Cash Dealing Agreement is not renewed upon expiry, the Company will make a further announcement updating the Shareholders of such events. In the event that the Renewed Cash Dealing Agreement is renewed or if there is any material change to its terms, the Company will comply with the reporting, announcement and independent shareholders' approval requirements (as the case may be) under Chapter 20 of the GEM Listing Rules accordingly.

Historical Amounts

The aggregate revenue (net of realised gains, realised losses, unrealised gains and unrealised losses) recognised by the Group for the transactions contemplated under the Cash Dealing Agreement in respect of each of the financial years ended 31 December 2013, 31 December 2014 and the nine months ended 30 September 2015 were approximately HK\$11,505,000, HK\$16,636,000 and HK\$9,833,000 respectively.

Cap

The cap for transactions under the Renewed Cash Dealing Agreement for the six months ending 30 June 2016 is revenue (net of realised gains, realised losses, unrealised gains and unrealised losses) of HK\$9,900,000.

The abovementioned cap was determined by reference to (a) the historical transaction amounts; (b) the shorter term of the Renewed Cash Dealing Agreement compared to the Cash Dealing Agreement; and (c) the expected demand by the Non-listed Group Companies for the cash dealing services during the term of the Renewed Cash Dealing Agreement.

The Group will assess, track and monitor on a monthly basis, including but not limited to, the fair values (whether or not recorded as assets or liabilities) of the cash dealings, as well as the gains and losses from trading activities under the Renewed Cash Dealing Agreement.

Relationship between the Company and the connected persons

KVB Canada, KVB FX and KVB FX PTY are wholly owned subsidiaries of KVB Holdings which is a substantial shareholder of the Company. Accordingly, KVB Canada, KVB FX and KVB FX PTY are connected persons of the Company. KVB New Zealand is an indirect wholly owned subsidiary of the Company and accordingly the Renewed Cash Dealing Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

GEM Listing Rules implications

The revenue (net of realised gains, realised losses, unrealised gains and unrealised losses) is used as an indicator to determine the revenue ratio and the consideration ratio of the Renewed Cash Dealing Agreement under the GEM Listing Rules. The aforementioned applicable percentage ratios in respect of the Renewed Cash Dealing Agreement are expected to be less than 25% and the total consideration for the Renewed Cash Dealing Agreement is less than HK\$10,000,000. Accordingly such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirement under Chapter 20 of the Listing Rules.

In the event that the Renewed Cash Dealing Agreement is not renewed upon expiry, the Company will make an announcement to disclose the same. In the event that the Renewed Cash Dealing Agreement is renewed or if there is any material change to its terms, the Company will comply with the reporting, announcement and independent shareholders' approval requirements (as the case may be) under Chapter 20 of the GEM Listing Rules accordingly.

NEW CONTINUING CONNECTED TRANSACTION

On 18 December 2015, the Software Licence Agreement was entered into between the Company and Banclogix, pursuant to which Banclogix shall grant the Company a three-year licence for certain software to enable the Group to, *inter alia*, use the routing service and data integration layer developed by Banclogix, whereby the ForexStar trading platform of the Company is expected to be enhanced and the Company will be able to distribute trade transactions across multiple servers and handle large quantities of transactions for its leveraged foreign exchange trading business. The principal terms of the Software Licence Agreement are set out below:

Date: 18 December 2015

Parties: (1) the Company; and
(2) Banclogix.

Subject Matter: Under the Software Licence Agreement, Banclogix will grant to the Company a limited, non-exclusive, non-transferrable, non-sub-licensable licence for the Group to use the leveraged foreign exchange trading software which covers client order management, dealing manager, and core trade execution server. The licence includes the installation and initial customisation of the software.

Price: The licence fee payable under the Software Licence Agreement is a one-off payment of HK\$3,500,000. No additional fees or charges will be paid for the installation or customisation of the software being the subject of the Software Licence Agreement.

The basis of determining the prices for the transactions contemplated under the Software Licence Agreement is the projected billable man-days of the project managers, system analysts, programmers, and quality assurance team spent on the product, at a daily rate from HK\$2,800 to HK\$5,600.

The price and conditions offered to the Company by Banclogix are no less favourable than that available from other independent third party suppliers on the same or similar services.

The price of the Software Licence Agreement was arrived at after taking into account the projected billable man-days of the project managers, system analysts, programmers, and quality assurance team spent on the product, at a daily rate from HK\$2,800 to HK\$5,600.

Relationship between the Company and Banclogix

Banclogix is a wholly-owned subsidiary of KVB Holdings, which is a substantial shareholder of the Company. For this reason, Banclogix is a connected person of the Company under the GEM Listing Rules. Therefore, the transactions under the Software Licence Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

GEM Listing Rules implications

As the applicable percentage ratios for the price of the transactions for the entire contract period contemplated under the Software Licence Agreement are expected to exceed 0.1% but less than 5% on an annual basis, such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirement under Chapter 20 of the Listing Rules.

REASONS FOR ENTERING INTO AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Renewed Office Licence Agreement

By entering into the Renewed Office Licence Agreement, the Group will benefit by utilising unused office capacity and receiving licence fees in return.

Renewed Cash Dealing Agreement

In respect of the Renewed Cash Dealing Agreement, KVB New Zealand is rewarded the spread between the price quoted to the Non-listed Group Companies and the price offered by market makers. From the perspective of the Group, the Directors believe that dealing with the Non-listed Group offers the benefit of lower default risk as KVB Holdings is a substantial shareholder of the Company and the Non-listing Group Companies are wholly-owned subsidiaries of KVB Holdings. From the perspective of the Non-listed Group, not only does it allow for the hedging of its cash positions and meeting settlement obligations, it also saves time and cost to build a professional dealing team and establish dealing facilities with market makers to fulfil its settlement obligations.

Software Licence Agreement

By entering into the Software Licence Agreement, the Leveraged FX Software Licence can be utilised by the Group to evaluate, improve and maintain the leveraged FX business of the Group. The three-year software licence to use the routing service and data integration layer developed by Banclogix will enhance the ForexStar trading platform of the Group. With the assistance of such routing service and data integration layer, the Group will be able to distribute trade transactions across multiple servers and handle larger quantities of transactions for its leveraged foreign exchange trading business.

The Directors (including our independent non-executive Directors but excluding Mr. Li and Mr. Liu, who are considered having a material interest in the transactions contemplated under the New Agreements and were hence required to abstain from voting in respect of the relevant board resolutions) are of the view that the New Agreements have been entered into on an arm's length basis and in the ordinary and usual course of business, and that the transactions contemplated thereunder and the relevant annual caps are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The abovementioned continuing connected transactions as contemplated under the New Agreements will occur on a regular and continuing basis in the ordinary and usual course of business of the Group.

INFORMATION OF THE PARTIES AND THE CONNECTED PERSONS

The Group

The Group is principally engaged in leveraged foreign exchange and other trading, cash dealing business, and other services.

KVB New Zealand is principally engaged in leveraged foreign exchange and other trading, cash dealing business, and other services.

KVB Holdings and its subsidiaries

KVB Holdings is principally engaged in investment holding and is owned as to 75% of its equity interest by Mr. Li, a non-executive Director, and 25% of its equity interest by the Administrators. KVB Holdings holds 14.76% of the issued share capital of the Company as at the date of this announcement.

Banclogix is principally engaged in the provision of information technology services.

Each of the Non-listed Group Companies is principally engaged in money service business.

GENERAL

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the New Agreements and the transactions contemplated thereunder, save that (i) Mr. Li is a director of KVB Holdings and he, together with the other Administrator, indirectly owns the entire equity interest of each of Banclogix, KVB Canada, KVB FX and KVB FX PTY through KVB Holdings; and (ii) Mr. Liu is a director of KVB Holdings. Accordingly, Mr. Li and Mr. Liu are considered having a material interest in the New Agreements and the transactions contemplated thereunder, and they were required to abstain and had abstained from voting on the Board meeting approving the New Agreements and the transactions contemplated thereunder.

In the event that the aggregate amount of fees payable pursuant to the New Agreements in any period or year exceeds the relevant proposed caps, or there is any material change to the terms of the New Agreements, the Company will comply with the reporting, announcement and independent shareholders' approval requirements (as the case may be) under Chapter 20 of the GEM Listing Rules accordingly.

DEFINITIONS

Unless the context requires otherwise, the following words and phrases used in this announcement have the following meanings:

“Administrator(s)”	Mr. Li and Mr. Chan Man Fai, each being an administrator of the two administrators of the estate of the late Ms. Tsui Wang, Mr. Li's late spouse, in Hong Kong and the BVI as appointed pursuant to the letters of administration granted by the Court of Hong Kong dated 22 February 2012 and the Court of the BVI dated 16 July 2012, respectively. Mr. Chan is a friend of the family of Mr. Li and is independent of Ms. Tsui and the Group;
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules;
“Banclogix”	Banclogix System Co., Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of KVB Holdings;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“Cash Dealing Agreement”	the master agreement in relation to the provision of cash dealing services dated 18 December 2012 and as amended by a supplemental agreement dated 3 June 2013 entered into between KVB New Zealand and KVB Canada, KVB FX and KVB FX PTY;
“Cash Dealing Services”	the transactions contemplated under the Renewed Cash Dealing Agreement;

“CITIC”	CITIC Securities Company Limited and CITIC Securities Overseas Investment Company Limited;
“Company”	KVB Kunlun Financial Group Limited, a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the GEM;
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules;
“controlling shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules;
“Director(s)”	the director(s) of the Company;
“Existing Agreements”	the Cash Dealing Agreement and the Office Licence Agreement;
“FX”	foreign exchange;
“GEM”	the Growth Enterprise Market operated by the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“independent third party(ies)”	party or parties independent of, and not connected with, the Company and its connected persons and their respective associates;
“KVB Canada”	KVB Kunlun Canada Inc., a company incorporated in Canada, being an indirect wholly owned subsidiary of KVB Holdings;
“KVB FX”	KVB FX Limited, a company incorporated in New Zealand, being an indirect wholly owned subsidiary of KVB Holdings;
“KVB FX PTY”	KVB FX PTY Ltd, a company incorporated in Australia, being an indirect wholly owned subsidiary of KVB Holdings;
“KVB Holdings”	KVB Kunlun Holdings Limited, a company incorporated in the BVI, being one of the substantial shareholders of the Company and is held as to 75% by Mr. Li and 25% by the Administrators;
“KVB New Zealand”	KVB Kunlun New Zealand Limited, a company incorporated in New Zealand, being an indirect wholly owned subsidiary of the Company;

“Leveraged FX Software Licence”	leveraged FX software licence granted by Banclogix to the Company pursuant to the Software Licence Agreement;
“Mr. Li”	Mr. Li Zhi Da, being one of the non-executive Directors of the Company and one of the Administrators;
“Mr. Liu”	Mr. Liu Stefan, an executive Director and the Chief Executive Officer of the Company;
“New Agreements”	the Renewed Cash Dealing Agreement, the Renewed Office Licence Agreement and the Software License Agreement;
“Non-listed Group”	the subsidiaries of KVB Holdings other than the Group;
“Non-listed Group Company(ies)”	any company(ies) which is/are a member(s) of the Non-listed Group and, in the context of this announcement, means KVB Canada, KVB FX and KVB FX PTY;
“Offers”	the unconditional mandatory cash offers commencing on 5 June 2015 and closing on 26 June 2015 by CITIC Securities Corporate Finance (HK) Limited for and on behalf of CITIC Securities Company Limited in acquisition of the shares of the Company and for cancellation of the outstanding options granted pursuant to the share option scheme adopted by the Company on 3 June 2013, as amended from time to time;
“Office Licence Agreement”	the master agreement in relation to the sharing of office premises dated 18 December 2012 entered into between the Company and KVB Holdings and as amended by the supplemental agreement dated 3 June 2013 entered into between the Company and KVB Holdings;
“Prospectus”	the prospectus of the Company published on 11 June 2013;
“Renewed Cash Dealing Agreement”	the renewal agreement in relation to the Cash Dealing Agreement dated 18 December 2015 entered into between KVB New Zealand and KVB Canada, KVB FX and KVB FX PTY;
“Renewed Office Licence Agreement”	the renewal agreement in relation to the Office Licence Agreement dated 18 December 2015 entered into between the Company and KVB Holdings;
“Shareholder(s)”	holders of shares of the Company;
“Software Licence Agreement”	the agreement dated 18 December 2015 entered into between the Company and Banclogix whereby Banclogix grants to the Company the Leveraged FX Software Licence;
“Share Purchase Agreement”	the share purchase agreement dated 29 January 2015 entered into between KVB Holdings and CITIC Securities Company Limited in relation to the sale and purchase of 1,200,000,000 shares of the Company;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder(s)”	substantial shareholders defined under rule 1.01 of the GEM Listing Rules;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“US\$”	the United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

The translations of US\$ into HK\$ throughout this announcement are based on the exchange rate of US\$1.00 to HK\$7.8 respectively and are provided for information purposes only.

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

Hong Kong, 18 December 2015

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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, 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.

This announcement will remain on the GEM website 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.