

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities.



KVB KUNLUN FINANCIAL GROUP LIMITED

昆侖國際金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6877)

**PROPOSED ISSUE OF 7.5% CONVERTIBLE BONDS IN THE AGGREGATE
PRINCIPAL AMOUNT OF HK\$200 MILLION UNDER GENERAL MANDATE**

The Board is pleased to announce that on 25 January 2018 (after trading hours), the Company entered into the Subscription Agreements with the Subscribers in relation to the subscription for the Bonds in the total principal amount of HK\$200 million at 100% of the face value of such principal amount, which may be converted into 326,264,273 Conversion Shares at the Conversion Price of HK\$0.613 per Conversion Share (subject to adjustment).

Following the Completion assuming full conversion of the Bonds at the Conversion Price of HK\$0.613 per Conversion Share, a total of 326,264,273 Conversion Shares will be allotted and issued by the Company, representing (i) approximately 16.05% of the issued share capital of the Company as at the date of this announcement and (ii) approximately 13.83% of the issued share capital of the Company as enlarged by the issue and allotment of the Conversion Shares (assuming that there will not be any changes in the issued share capital of the Company save for the allotment and issue of the Conversion Shares).

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be issued pursuant to the Bonds.

The Conversion Shares to be allotted and issued upon the exercise of the Conversion Right will be issued under the General Mandate which was approved by a resolution passed by the Shareholders at the Company's annual general meeting held on 10 May 2017. The Directors have not, prior to the date of the Subscription Agreements, exercised any of their powers conferred by the General Mandate.

Subject to completion of the Subscription Agreements, the estimated net proceeds from the issue of the Bonds, after deducting professional fees and all related expenses, are estimated to be approximately HK\$199.28 million. The Company currently intends to use the estimated net proceeds for investment in financial assets and working capital purposes.

As the issue of the Bonds is subject to the fulfillment of certain conditions precedent and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

SUBSCRIPTION AGREEMENTS

The Board is pleased to announce that on 25 January 2018 (after trading hours), the Company entered into the Subscription Agreements with the Subscribers pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the Bonds in the total principal amount of HK\$200 million at 100% of the face value of such principal amount, which may be converted into 326,264,273 Conversion Shares at the Conversion Price of HK\$0.613 per Conversion Share (subject to adjustment).

Except for the principal amount of the Bonds to be subscribed by the Subscribers, the terms of the Subscription Agreements with each Subscriber are substantially the same, details of which are set out below:

Date

25 January 2018 (after trading hours)

Parties

- Subscription Agreement I:
- (1) The Company, being the issuer of the Bonds
 - (2) Subscriber I, being one of the Subscribers
- Subscription Agreement II:
- (1) The Company, being the issuer of the Bonds
 - (2) Subscriber II, being the other Subscriber

As to the Subscriber I, BC Global Fund SPC is an exempted company incorporated and existing under the laws of the Cayman Islands registered as a segregated portfolio company, acting on behalf of and for the account of BC Fintech Fund SP, a segregated portfolio of BC Global Fund SPC and is principally engaged in investing in the Bonds. BC Global Asset Management Limited, a licensed corporation that provides financial services which includes asset management services, acts as the investment advisor for BC Fintech Fund SP.

As to the Subscriber II, PA Investment Funds SPC is an exempted company incorporated and existing under the laws of the Cayman Islands registered as a segregated portfolio company acting on behalf of and for the account of PA High Technology Fund SP, a segregated portfolio of PA Investment Funds SPC and is principally engaged in investing in the Bonds. Ping An of China Securities (Hong Kong) Company Limited, a licensed corporation that provides financial services which includes asset management services, acts as the investment manager for PA High Technology Fund SP.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Subscribers and their respective ultimate beneficial owner(s) are independent of and not connected with the Company and its connected persons.

Principal terms of the Bonds

The terms of the Bonds have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer	:	The Company
Principal amount	:	Subscriber I – HK\$111 million Subscriber II – HK\$89 million
Interest	:	7.5% per annum (or 12% per annum where the Maturity Date is extended pursuant to the Bond Conditions) payable by the Company on the last business day before expiry of every six months since the Issue Date and thereafter and on the Maturity Date.
Maturity Date	:	The second anniversary of the Issue Date. The Company may extend the Maturity Date for a further term of one year from the initial Maturity Date by giving notice in writing to all of the Bondholder(s) on or before the Maturity Date and with the prior written consent from Bondholder(s) of not less than 50% of the aggregate principal amount of Bonds outstanding.
Conversion Right and Conversion Period	:	<p>The Bonds are convertible into new Shares:</p> <ul style="list-style-type: none">(i) in whole or in integral multiples of HK\$5 million of the principal amount of the Bonds at any time from the day following one year from the Issue Date up to the fifth business day immediately before the Maturity Date at the Conversion Price; or(ii) in whole (but not part only) of the outstanding principal amount of the Bonds into Shares within 60 days following (a) the cessation to act of any executive Director or Senior Management; or (b) any partial or complete suspension of the executive or managerial responsibilities of any executive Director or Senior Management; or (c) an announcement made by the Company in relation to (a) or (b) above (regardless of the actual or prospective date of such cessation or suspension)) ((a), (b), and/or (c) is individually or collectively referred to as the “Change of Management”);

subject to and upon compliance with, the provisions of the Bond Conditions. Except where the exercise of Conversion Right shall be made in respect of the whole (but not part only) of the outstanding principal amount of the Bonds in accordance with the Bond Conditions, any conversion shall be made in amounts of not less than a whole multiple of HK\$5 million. No fraction of a Share shall be issued on conversion.

- Conversion Price : The initial Conversion Price of HK\$0.613 per Share (subject to adjustment for Change of Management and anti-dilution events as mentioned below), at which each Conversion Share shall be issued upon exercise of the Conversion Right, was arrived at after arm's length negotiations between the relevant parties and with reference to the market price of the Shares. The initial Conversion Price represents:
- (a) a premium of approximately 5.7% over the closing price of HK\$0.58 per Share as quoted on the Stock Exchange on 24 January 2018, being the Last Trading Day; and
 - (b) a premium of approximately 5.0% over the average closing price of the Shares of HK\$0.584 per Share for the five trading days immediately before the date of the Subscription Agreements.

Under the Bond Conditions, the Conversion Price will be adjusted in the event of an alteration of the capital restructure of the Company or upon the occurrence of certain adjustment events. These adjustment events include, among others, consolidation, sub-division or reclassification, bonus issue, Capital Distribution, rights issue of Shares or options over Shares, rights issue of other securities, issue at less than the then current market price, other issue at less than the then current market price, modification of right of conversion, other offer to shareholders, Change of Management and other events. Where any such event occurs, the Conversion Price may be subject to the adjustment in accordance with the Bond Conditions, with a key objective that any dilution effect on the value of the Bonds arising from such events will be neutralized. If the Conversion Price pursuant to any adjustment is below the par value of each Share, the Conversion Price shall be adjusted to an amount equal to the par value of one Share instead.

If the Company or the Bondholder(s) determine that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances set out in the Bond Conditions, or that an adjustment should not be made despite the events or circumstances, or that the effective date for the relevant adjustment should be a date other than that specified in the Bond Conditions, the Company or such Bondholder(s) may, at the expense of the Company, request either the Company's auditors or an independent firm of merchant banks of international repute to be selected and appointed by the Company whose determination shall, save for manifest error, be final and conclusive.

Conversion Shares : Up to 326,264,273 Conversion Shares (which are fully-paid ordinary Shares upon issue) will be issuable by the Company upon the exercise of the conversion rights attached to the Convertible Bonds in full at the Conversion Price of HK\$0.613 per Conversion Share.

The 326,264,273 Conversion Shares, which, having an aggregate nominal value of HK\$3,262,642.73, represent (i) approximately 16.05% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 13.83% of the issued share capital of the Company as enlarged by the issue and allotment of the Conversion Shares (assuming that there will not be any changes in the issued share capital of the Company save for the allotment and issue of the Conversion Shares).

The net price of each Conversion Share to the Company, based on the estimated net proceeds of approximately HK\$199.28 million and 326,264,273 Conversion Shares, is estimated to be approximately HK\$0.61.

Redemption : *Redemption at maturity*
Unless previously redeemed or converted or purchased and cancelled as provided in the Bond Conditions, on the Maturity Date, the Company shall redeem 100% of the outstanding principal amount of the Bonds together with an internal rate of return of 7.5% per annum from and including the Issue Date but excluding the actual date of redemption, inclusive of any coupon paid or payable on the relevant portion of the Bonds.

Where the Maturity Date is extended pursuant to the Bond Conditions, the Company shall redeem 100% of the outstanding principal amount of the Bonds together with an internal rate of return of 12% per annum from and including the Issue Date but excluding the actual date of redemption, inclusive of any coupon paid or payable on the relevant portion of the Bonds.

Early redemption

The Bondholders may give not less than five days' written notice to the Company for redemption of the whole but not part of the outstanding Bonds at 100% of the outstanding principal amount together with an internal rate of return of 7.5% per annum (or 12% where Maturity Date is extended pursuant to the Board Conditions) from and including the Issue Date but excluding the actual date of redemption, inclusive of any coupon paid or payable on the relevant portion of the Bonds if any of the following occurs:

- (a) occurrence of an event of default as defined in the Bond Conditions, including, among others, material breach of the Bond Conditions, dissolution of the Company and Company's disposal of all or substantially all of its assets, encumbrances over the property, assets or undertaking of the Group, distress against a material part of the property of the Company, cessation or material change of business of the Group, suspension of trading in the Shares on the Stock Exchange for over 10 consecutive trading days or delisting of the Shares on the Stock Exchange, change of control (i.e. the acquisition of more than 50% of the voting rights of the issued share capital of the Company or the right to appoint and/or remove all or the majority of members of the Board) of the Company or announcement by the Company of such possible change, average of closing price of Shares for any 10 consecutive trading days being below 80% of the then applicable Conversion Price for so long as the Bonds remain outstanding, operating loss of the Company for three consecutive quarters starting from the year ending 31 December 2018, issue of new Shares resulting in the total equity interest of the Bondholder(s) in the Company (on a fully diluted and as-converted basis) falling below 12%, winding-up, liquidation, receivership or other analogous events of the Group, and the net asset value of the Group being less than HK\$300 million by reference to the Company latest audited account;

		(b) Change of Management; or
		(c) exercise of option by the Bondholder(s) to request the Company for early redemption commencing from the day falling one year from the Issue Date.
Transferability of the Bonds	:	The Bonds may be transferred in whole or in part (in multiples of HK\$5 million) by the Bondholder to any person or company, provided that where such transfer is made to a connected person of the Company, such transfer shall be made in compliance of the requirements (if any) of the Listing Rules.
Transferability of the Conversion Shares	:	Save that any Conversion Share shall not be transferred at any time from the date of exercise of the Conversion Right in respect of such Conversion Share and ending on the date which is three months therefrom, the Conversion Shares are freely transferrable.
Ranking of the Bonds	:	The Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and rank pari passu and without preference among themselves and shall, unless otherwise required under the applicable laws, rank at least pari passu with the other present and future unsecured and unsubordinated obligations and/or indebtedness of the Company.
Ranking of the Conversion Shares	:	The Conversion Shares, when allotted and issued, shall rank pari passu in all respects with the then existing Shares in issue on the date when the Bondholder(s) exercising the Conversion Right is/are registered in the Company's register of members together with all rights to dividends and other distributions declared, made or paid on or after the date of such registration.
Voting	:	The Bondholder shall not be entitled to receive notice of, attend or vote at any general meeting of the Company by reason only of his/her/its being a Bondholder.
Nomination of Director	:	Following completion of the Subscription Agreements, the Bondholder(s) of not less than 50% of the aggregate principal amount of the Bonds outstanding as a whole may nominate one candidate as non-executive director to the Board once only, provided that such right shall automatically lapse if no Bond is outstanding.

Undertaking : The Company undertakes that at any time when the net asset value of the Group is less than HK\$300 million, it will not take any corporate action without the prior written consent from Bondholder(s) of not less than 50% of the aggregate principal amount of the Bonds outstanding.

Conditions precedent to completion of the Subscription Agreements

Completion of each of the Subscription Agreements is conditional upon the following Closing Conditions being satisfied (or, where applicable, waived (to the extent waivable)):

- (a) the Board's approval for the transactions contemplated under the relevant Subscription Agreement having been obtained;
- (b) all requisite consents or confirmations of no objection (if necessary) or filings at, any governmental or competent authorities for the transactions contemplated under the relevant Subscription Agreement having been obtained by the Company from any third parties or effected by the Company;
- (c) the Listing Committee of the Stock Exchange having granted listing of and permission to deal in the Conversion Shares and such approval remaining valid and effective;
- (d) each of the warranties given by the Company in the relevant Subscription Agreement remaining true and accurate and not misleading; and
- (e) since the date of the relevant Subscription Agreement, there shall not have occurred any material adverse change.

Under each of the Subscription Agreements, Closing Conditions (d) and (e) above may be waived by the relevant Subscriber.

If any of the Closing Conditions is not satisfied or waived (to the extent waivable) by the Subscriber on the Long Stop Date or such other date as the Company and the Subscriber shall agree in writing, the relevant Subscription Agreement shall terminate.

The Subscription Agreements are inter-conditional on each other and completion of both agreements must take place simultaneously.

As the issue of the Bonds is subject to the fulfillment of certain conditions precedent and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

Completion of the Subscription Agreements

Completion of the Subscription Agreements will take place on the fifth business day after the last of the Closing Conditions is fulfilled or (as the case may be) waived or such other date as shall be agreed between the Company and the Subscribers in writing. The Subscribers shall settle the consideration payable for the Subscription by payment of the principal amount to the Company on the Completion Date. Upon the Completion, the Company shall issue the Bonds.

GENERAL INFORMATION ON THE GROUP

The Company is an investment holding company. The Group is principally engaged in the provision of leveraged foreign exchange and other trading, while the provision of cash dealing and securities trading referral services also forms part of the Group's business model.

REASONS FOR THE ISSUE OF THE BONDS AND USE OF PROCEEDS

The Directors consider that the issue of the Bonds will provide strong capital support for the development of the Group's business, and strengthen the Group's capital base effectively after full conversion of the Bonds. The proposed issue of the Bonds to the Subscribers presented a valuable opportunity to invite the Subscribers to become strategic investors of the Company. The Directors consider that the issue of the Bonds is an appropriate means of raising funds since it will not have an immediate dilution effect on the shareholding of the existing shareholders of the Company and the interest payable under the Bonds is more stable and predictable than bank borrowings.

The estimated net proceeds from the issue of the Bonds, after deducting professional fees and all related expenses, are estimated to be approximately HK\$199.28 million. The Company currently intends to use the estimated net proceeds for investment in financial assets and working capital purposes.

The Directors (including the independent non-executive Directors) have approved the entering into of the Subscription Agreements and the transactions contemplated thereunder and are of the view that the respective terms of the Subscription Agreements and the Bonds are normal commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 2,033,290,000 Shares in issue. Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Conversion Shares upon the exercise of Conversion Rights in full at the initial Conversion Price, and assuming that there being no other change to the share capital and shareholding structure of the Company from the date of this announcement:

	As at the date of this announcement		Upon full conversion of the Bonds	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Connected persons or substantial shareholders				
Mr. Liu Stefan (<i>Note 1</i>)	9,520,000	0.47	9,520,000	0.40
Mr. Ng Chee Hung Frederick (<i>Note 2</i>)	845,000	0.04	845,000	0.04
KVB Kunlun Holdings Limited (<i>Note 3</i>)	300,000,000	14.75	300,000,000	12.71
Ms. Zhao Guixin (<i>Note 4</i>)	200,000	0.01	200,000	0.01
Mr. Lin Wenhui (<i>Note 4</i>)	200,000	0.01	200,000	0.01
CITIC Securities Overseas Investment Company Limited	1,200,310,001	59.03	1,200,310,001	50.87
Sub-total:	1,511,075,001	74.32	1,511,075,001	64.04
Public				
Subscriber I	–	–	181,076,672	7.67
Subscriber II	–	–	145,187,601	6.15
Other public Shareholders	522,214,999	25.68	522,214,999	22.13
Sub-total:	522,214,999	25.68	848,479,272	35.96
Total:	2,033,290,000	100.00	2,359,554,273	100.00

Notes:

1. Mr. Liu Stefan is a connected person of the Company by virtue of him being an executive Director.
2. Mr. Ng Chee Hung Frederick was an executive Director before his resignation on 17 November 2017. He is a connected person of the Company by virtue of him being an executive Director within 12 months of the date of the Subscription Agreements.
3. Mr. Li Zhi Da, a non-executive Director, is entitled to control 75% of the voting power at general meetings of KVB Kunlun Holdings Limited.
4. Each of Ms. Zhao Guixin and Mr. Lin Wenhui is a connected person of the Company by virtue of him/her being an independent non-executive Director.

APPLICATION FOR LISTING

No application will be made for the listing of, or permission to deal in, the Bonds on the Stock Exchange or any other stock exchange. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be issued pursuant to the Bonds.

MANDATE TO ISSUE OF THE CONVERSION SHARES

The Conversion Shares to be allotted and issued upon the exercise of the Conversion Right will be issued under the General Mandate which was approved by a resolution passed by the Shareholders at the Company's annual general meeting held on 10 May 2017.

The Directors have not, prior to the date of the Subscription Agreements, exercised any of their powers conferred by the General Mandate. As such, the General Mandate will be sufficient for, and no further Shareholders' approval is required for, the allotment and issue of the Conversion Shares.

FUND RAISING ACTIVITIES BY THE COMPANY DURING THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities in the past 12 months before the date of this announcement.

DEFINITIONS

In the announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	the holder(s) of the Bonds
“Bonds”	7.5% convertible bonds in the aggregate principal amounts of HK\$200 million due 2020 to be issued by the Company for subscription by the Subscribers under the Subscription Agreements
“Bond Conditions”	the terms and conditions endorsed on the Bonds in definitive form as they may from time to time be modified in accordance with their provisions and/or of the Bond Instrument
“Bond Instrument”	instrument to be executed by the Company by way of a deed poll constituting the Bonds

“business day”	any day (excluding Saturday, Sunday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business.
“Capital Distribution”	as provided in the Bond Conditions, which includes any distribution of assets in specie by the Company for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes without limitation an issue of Shares or other securities credited as fully or partly paid (other than Shares credited as fully paid) by way of capitalisation of reserves)
“Closing Conditions”	conditions precedent to the completion of the Subscription
“Company”	KVB Kunlun Financial Group Limited, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the issue and subscription of the Bonds in accordance with the terms and conditions of the respective Subscription Agreements
“Completion Date”	the date of the Completion, being the fifth business day following the date on which the last of the Closing Conditions is fulfilled or (as the case may be) waived or such other date as shall be agreed between the Company and the Subscribers in writing
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the initial conversion price of HK\$0.613 per Conversion Share, which is subject to adjustment pursuant to the Bond Conditions
“Conversion Right”	the right of the Bondholder(s) to convert the whole or part of the principal amount of the Bonds into Shares subject to the terms and conditions thereof attaching to the Bonds
“Conversion Share(s)”	new Share(s) which may fall to be allotted and issued upon exercise of the Conversion Right
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors at the Company’s annual general meeting held on 10 May 2017 to allot, issue or otherwise deal in up to 406,648,000 Shares

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Date”	the date of first issue of the Bonds
“Last Trading Day”	24 January 2018, being the last trading day immediately before the date of the Subscription Agreements
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the tenth business day after the date of the Subscription Agreements, or such other date as shall be agreed between the parties to the respective Subscription Agreements
“Maturity Date”	the date falling two years after the date of issue of the Bonds subject to extension of one year by the Company pursuant to the Bond Conditions
“Redemption Date”	means the date which is five (5) business days after the receipt by the Company of the relevant redemption notice
“Senior Management”	members of the senior management of the Company whose names are listed in the annual report of the Company for the year ended 31 December 2016 (other than Mr. Ng Chee Hung Frederick who resigned as executive director of the Company with effect from 17 November 2017)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Subscriber I”	BC Global Fund SPC – BC Fintech Fund SP, being the subscriber of the Bonds under the Subscription Agreement I
“Subscriber II”	PA Investment Funds SPC for the account of PA High Technology Fund SP, being the subscriber of the Bonds under the Subscription Agreement II
“Subscribers”	collectively, the Subscriber I and the Subscriber II

“Subscription”	subscription of the Bonds by the Subscribers on and subject to the terms and conditions of the respective Subscription Agreements
“Subscription Agreement I”	the conditional subscription agreement dated 25 January 2018 entered into between the Company and the Subscriber I in respect of the subscription of the Bonds in the principal amount of HK\$111 million
“Subscription Agreement II”	the conditional subscription agreement dated 25 January 2018 entered into between the Company and the Subscriber II in respect of the subscription of the Bonds in the principal amount of HK\$89 million
“Subscription Agreements”	collectively, the Subscription Agreement I and the Subscription Agreement II
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“trading day(s)”	any day on which Shares are traded on the Main Board of the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 25 January 2018

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

Executive Director

Mr. Liu Stefan

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