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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)**

### **CONTINUING CONNECTED TRANSACTION NEW INFORMATION TECHNOLOGY SERVICES AGREEMENT**

#### **NEW INFORMATION TECHNOLOGY SERVICES AGREEMENT**

Reference is made to the announcements of the Company dated (i) 29 January 2014 in relation to the Previous Information Technology Services Agreement; and (ii) 18 December 2015 in relation to, among other things, the Software Licence Agreement.

The Previous Information Technology Services Agreement expired on 31 December 2015 and at such time was not renewed. In view of its on-going business needs however, the Company has entered into the New Information Technology Services Agreement with Banclogix.

As at the date of this announcement, 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. Accordingly, the New Information Technology Services Agreement constitutes a continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

Pursuant to Rule 20.79 of the GEM Listing Rules, the transactions contemplated under the New Information Technology Services Agreement are required to be aggregated with the transactions under the Software Licence Agreement (which is also a continuing connected transaction with Banclogix) as they were entered into within a 12-month period. As the maximum aggregate amounts payable by the Group to Banclogix under the Software Licence Agreement and the New Information Technology Services Agreement for each of the three years ending 31 December 2016, 2017 and 2018 are more than 0.1% but less than 5% under the applicable percentage ratios 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 GEM Listing Rules.

## **BACKGROUND**

Reference is made to the respective announcements of the Company dated (i) 29 January 2014 in relation to the Previous Information Technology Services Agreement and (ii) 18 December 2015 in relation to, among other things, the Software Licence Agreement.

The Previous Information Technology Services Agreement expired on 31 December 2015 and at the time of its expiry the Company did not renew such agreement. However, in view of its on-going business needs, the Company has entered into the New Information Technology Services Agreement with Banclogix, which constitutes a continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules. In addition, the Company entered into the Software Licence Agreement with Banclogix on 18 December 2015 and pursuant to Rule 20.79 of the GEM Listing Rules, given the transactions under the New Information Technology Services Agreement and the Software Licence Agreement are with the same connected person, namely Banclogix, and were entered into within a 12-month period, such transactions shall be aggregated for the purposes of the GEM Listing Rules.

## **THE NEW INFORMATION TECHNOLOGY SERVICES AGREEMENT**

The principal terms of the New Information Technology Services Agreement are set out below:

- Date:** 19 April 2016
- Parties:** (1) the Company; and  
(2) Banclogix.
- Term:** From 19 April 2016 to 31 December 2018, both dates inclusive.
- Services:** Pursuant to the New Information Technology Services Agreement, Banclogix will from time to time provide software development and maintenance services, information technology infrastructure project management services and information technology infrastructure maintenance services to the Group.
- Price:** The basis for determining the prices for the transactions contemplated under the New Information Technology Services Agreement has been made with reference to the cost to Banclogix in relation to the provision of the information technology services, including but not limited to staff salaries and operation overheads of Banclogix.
- 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.
- Termination:** Either the Company or Banclogix may terminate the New Information Technology Services Agreement at any time by giving the other party at least three months' written notice of termination, provided that:

- (a) if the New Information Technology Services Agreement is terminated on or before 31 December 2016, the terminating party shall pay to the other party 30% of the Aggregate Annual Cap (excluding the cap relating to the Software Licence Agreement) for the year ended 31 December 2016;
- (b) if the New Information Technology Services Agreement is terminated between 1 January 2017 and 31 December 2017 (both dates inclusive), the terminating party shall pay to the other party 10% of the Aggregate Annual Cap for the year ended 31 December 2017; and
- (c) if the New Information Technology Services Agreement is terminated between 1 January 2018 and 31 December 2018 (both dates inclusive), the terminating party shall pay to the other party 5% of the Aggregate Annual Cap for the year ended 31 December 2018.

**Arrangement for payment:**

All payments required to be made to Banclogix must be made within fourteen (14) days upon receipt of the relevant invoice.

**AGGREGATE ANNUAL CAPS**

As disclosed in the announcement of the Company dated 18 December 2015, the Group entered into the Software Licence Agreement with Banclogix pursuant to which Banclogix granted the Company a three-year licence to use the leveraged foreign exchange trading software, including without limitation to the installation and initial customisation of the software. Pursuant to Rule 20.79 of the GEM Listing Rules, the transactions contemplated under the New Information Technology Services Agreement are required to be aggregated with the transactions under the Software Licence Agreement, both of which are continuing connected transactions of the Company and were entered into with the same connected person and within a 12-month period.

Taking into account the one-off upfront payment of HK\$3,500,000 paid by the Company to Banclogix under the Software Licence Agreement, the maximum aggregate amounts payable by the Group to Banclogix under the Software Licence Agreement and the New Information Technology Services Agreement for each of the three years ending 31 December 2016, 2017 and 2018 are as follows:

	<b>For the year ending 31 December 2016</b>	<b>For the year ending 31 December 2017</b>	<b>For the year ending 31 December 2018</b>
Software Licence Agreement	HK\$3,500,000	HK\$0	HK\$0
New Information Technology Services Agreement	HK\$16,500,000	HK\$19,000,000	HK\$20,000,000
Aggregate Annual Caps	<u>HK\$20,000,000</u>	<u>HK\$19,000,000</u>	<u>HK\$20,000,000</u>

The proposed annual caps under the New Information Technology Services Agreement were arrived at after taking into account:

- (a) the estimated demand of the Group for each of the software development and maintenance services, information technology infrastructure project management and maintenance services to be received and their relevant prices;
- (b) the projected increase in the demand of information technology infrastructure project management and maintenance services of the Group; and
- (c) the increasing need of the Group to continuously develop and improve the software application to support the Group's core businesses.

Having regard to the above, 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 Information Technology Services Agreement and were hence required to abstain from voting in respect of the relevant board resolutions) are of the view that the said assumptions and bases are fair and reasonable. The Company will satisfy the consideration of the transactions contemplated under the New Information Technology Services Agreement from its internal resources.

## **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 according to the GEM Listing Rules. Therefore, the transactions under the New Information Technology Services Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

## **GEM LISTING RULES IMPLICATIONS**

Pursuant to Rule 20.79 of the GEM Listing Rules, the transactions contemplated under the New Information Technology Services Agreement are required to be aggregated with the transactions under the Software Licence Agreement (which are also continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules). As the maximum aggregate amounts payable by the Group to Banclogix under the Software Licence Agreement and the New Information Technology Services Agreement for each of the three years ending 31 December 2016, 2017 and 2018 are more than 0.1% but less than 5% under the applicable percentage ratios 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 GEM Listing Rules.

## **REASONS FOR ENTERING INTO AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The services provided under the New Information Technology Services Agreement can be utilised by the Group to evaluate, improve and maintain the information technology infrastructures of the Group. Software development services help develop and modify the Group's software applications, which has been a key factor of the Group's past and continued success. Support and maintenance services can better ensure proper operation of the relevant software and minimises possible service interruptions or other negative consequences.

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 Information Technology Services Agreement and were hence required to abstain from voting in respect of the relevant board resolutions) are of the view that the New Information Technology Services Agreement has 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 transaction as contemplated under the New Information Technology Services Agreement 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 is principally engaged in leveraged foreign exchange and other trading, cash dealing business, and other services.

Banclogix is principally engaged in the provision of information technology services and is wholly owned by KVB Holdings which 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 approximately 14.75% of the issued share capital of the Company as at the date of this announcement.

## **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 Information Technology Services Agreement 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 Banclogix; 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 Information Technology Services Agreement and the transactions contemplated thereunder, and they were required to abstain, and did abstain from voting on the Board meeting approving the New Information Technology Services Agreement and the transactions contemplated thereunder.

In the event that the aggregate amount of fees payable to Banclogix in any period or year exceeds the Aggregate Annual Caps, or there is any material change to the terms of the New Information Technology Services Agreement, 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;
“Aggregate Annual Cap(s)”	the maximum aggregate amounts payable by the Group to Banclogix under the Software Licence Agreement and the New Information Technology Services Agreement;
“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;
“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;
“Director(s)”	the director(s) of the Company;
“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 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;
“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 Information Technology Services Agreement”	the Information Technology Services Agreement entered into between the Company and Banclogix on 19 April 2016;
“Previous Information Technology Services Agreement”	the Information Technology Services Agreement entered into between the Company and Banclogix on 29 January 2014 which expired on 31 December 2015;
“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;
“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; and
“%”	per cent.

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

Hong Kong, 19 April 2016

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

***Executive Directors***

Mr. Liu Stefan (*Chief Executive Director*)

Mr. Ng Chee Hung Frederick

***Non-executive Directors***

Mr. Li Zhi Da (*Chairman*)

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](http://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](http://www.kvblastco.com).*