

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



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

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

The Group has been carrying on transactions pursuant to the existing Cash Dealing Agreement which constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. However the Cash Dealing Agreement will expire on 30 June 2016. Therefore, in view of the above, on 17 June 2016, the Company and KVB GC, a direct wholly-owned subsidiary of KVB Holdings, entered into the Renewed Cash Dealing Agreement for a term commencing from the date of the Renewed Cash Dealing Agreement and expiring on 31 December 2018.

The Renewed Cash Dealing Agreement is on substantially the same terms as the Cash Dealing Agreement except that (i) KVB GC will, on behalf of the GC Group, become the sole counterparty to the agreement and the Company will become the sole contracting party from the Group; and (ii) while the Group will continue providing services to the GC Group, the GC Group will additionally provide the GC Services to the Group. Further, as the Cash Dealing Agreement and the Renewed Cash Dealing Agreement were entered into with a 12-month period and are otherwise related, they will be aggregated and treated as one transaction.

KVB Holdings is a substantial shareholder of the Company and KVB GC is a wholly-owned subsidiary of KVB Holdings. Therefore KVB Holdings and KVB GC are connected persons of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, 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 the applicable percentage ratios for the annual caps of the transactions contemplated under the Renewed Cash Dealing Agreement (as aggregated with the Cash Dealing Agreement) are expected to be less than 5%, 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.

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 Company's announcement dated 18 December 2015 in relation to *inter alia* the Cash Dealing Agreement.

The Cash Dealing Agreement will expire on 30 June 2016 and it is expected that the Group will continue to enter into transactions of a nature substantially similar to the transactions under the Cash Dealing Agreement from time to time thereafter. Given the impending expiry of the Cash Dealing Agreement, the Company and KVB GC have entered into the Renewed Cash Dealing Agreement which is substantially on the same terms as the Cash Dealing Agreement except that (i) KVB GC will, on behalf of the GC Group, become the sole counterparty to the agreement and the Company will become the sole contracting party from the Group; and (ii) while the Group will continue providing services to the GC Group, the GC Group will additionally provide the GC Services to the Group.

The Renewed Cash Dealing Agreement constitutes a continuing connected transaction of the Company, and is subject to the reporting, announcement and annual review requirements but is exempt from independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules. Further, as the Cash Dealing Agreement and the Renewed Cash Dealing Agreement were entered into with a 12-month period and are otherwise related, they will be aggregated and treated as one transaction.

Renewed Cash Dealing Agreement

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

Date: 17 June 2016

Parties: (1) The Company; and
(2) KVB GC

Under the Cash Dealing Agreement, the contracting party from the Group was KVB New Zealand and the counterparties were KVB Canada, KVB FX and KVB FX PTY, each a wholly-owned subsidiary of KVB GC. The Company and KVB GC have agreed to act as contracting parties in order to ease administrative burdens should services be required by different entities within the respective groups.

Term: The Company will provide the GC Group with the KVB Services from 1 July 2016 to 31 December 2018, both dates inclusive whereas KVB GC will commence providing the Group with the GC Services from the date of the Renewed Cash Dealing Agreement (17 June 2016) to 31 December 2016, both dates inclusive.

When aggregated with the Cash Dealing Agreement, the term of the Renewed Cash Dealing Agreement will commence on 1 January 2016 and expire on 31 December 2018.

Services: The Company shall provide, or procure its subsidiaries to provide, to the GC Group the KVB Services being cash dealing services including the provision of the exchange of currencies.

KVB GC shall provide, or procure its subsidiaries to provide, to the Group the GC Services being the provision of FX conversion and settlement services.

Price: In respect of the KVB Services, such services will be charged to the GC Group at fair value at the time of the transaction, which is equivalent to the currency exchange rate as quoted by the FX data feed database of the relevant Group Company providing the service 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.

In respect of the GC Services, such services will be charged to the Group at agreed fees with reference to the offshore exchange rates between RMB and US dollars as indicated by Bank of China (Hong Kong) Limited plus an agreed transaction fee of up to 1.5% of the transaction amount.

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

Addition of the GC Services

The Company and KVB GC have agreed that in addition to the KVB Services as previously provided, the GC Group will provide to the Group the GC Services being the provision of FX conversion and settlement services. The Company is expecting an increasing demand of FX conversion and settlement services and intends to develop business relationships with relevant service providers. The Directors believe that during the interim period before any such business relationship is concluded, it is beneficial to the Group to temporarily engage the GC Group as its service provider due to lower credit and default risk as KVB Holdings, as a substantial shareholder of the Company, also wholly owns the GC Group.

Historical Amount

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 the five (5) months ended 31 May 2016 is expected to be approximately HK\$2,144,000; and
- the Previous Cash Dealing Agreement in respect of each of the financial years ended 31 December 2013, 31 December 2014 and 31 December 2015 were approximately HK\$11,505,000, HK\$16,636,000 and HK\$11,517,000 respectively.

Annual Caps

The annual caps in relation to the continuing connected transactions under the Renewed Cash Dealing Agreement (when aggregated with the Cash Dealing Agreement) are as follow:

	For the period ending 30 June 2016	Year ending 31 December From 1 July 2016	2017	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The maximum revenue (net of realised/unrealised gain/loss) to be recorded by the Company in respect of the KVB Services provided to the GC Group	9,900	7,100	20,000	20,000
The maximum consideration to be paid by the Company in respect of the provision of the GC Services by the GC Group	—	3,000*	—	—
TOTAL	9,900	10,100	20,000	20,000

*Note: The GC Services will commence from the date of the Renewed Cash Dealing Agreement

The abovementioned caps in respect of the KVB Services were determined by reference to (a) the historical transaction amounts; (b) the term of the Renewed Cash Dealing Agreement compared to the Cash Dealing Agreement; and (c) the expected demand by the GC Group for the cash dealing services during the term of the Renewed Cash Dealing Agreement.

The abovementioned caps in respect of the GC Services were determined by reference to (a) the expected demand by the Group for the FX and settlement services in the coming 6 months; and (b) that the GC Services will only be provided during the financial year ending 31 December 2016.

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 person

KVB GC is a wholly owned subsidiary of KVB Holdings which is a substantial shareholder of the Company. Accordingly, KVB GC is an associate of KVB Holdings and a connected person 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 for the KVB Services 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 (as aggregated with the Cash Dealing Agreement) are all expected to be less than 5%. 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.

As the Renewed Cash Dealing Agreement and the Cash Dealing Agreement were entered into within a 12-month period and are otherwise related, the Renewed Cash Dealing Agreement and the Cash Dealing Agreement will be aggregated and treated as one transaction pursuant to GEM Listing Rule 20.79.

REASONS FOR ENTERING INTO AND BENEFITS OF THE RENEWED CASH DEALING AGREEMENT AS A CONTINUING CONNECTED TRANSACTION

In respect of the provision of the KVB Services, the Company is rewarded the spread between the price quoted to the GC Group Companies and the price offered by market makers. From the perspective of the Group, the Directors believe that dealing with the GC Group offers the benefit of lower default risk as KVB Holdings, as a substantial shareholder of the Company, also wholly owns the GC Group. From the perspective of the GC Group, not only does it allow for the hedging of its cash positions and meeting settlement obligations, it also saves time and cost to establish dealing facilities with market makers to fulfil its dealing and settlement obligations.

In respect of receiving the GC Services, the Company is expecting an increasing demand of FX conversion and settlement services and intends to develop business relationships with relevant service providers. The Directors believe that during the interim period before any such business relationship is concluded, it is beneficial to the Group to temporarily engage the GC Group as its service provider due to lower credit and default risk as KVB Holdings, as a substantial shareholder of the Company, also wholly owns the GC Group.

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 Renewed Cash Dealing Agreement and were hence required to abstain from voting in respect of the relevant board resolutions) are of the view that the Renewed Cash Dealing 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, fair and reasonable commercial terms and in the interests of the Company and the Shareholders as a whole.

The continuing connected transactions as contemplated under the Renewed Cash Dealing 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 PERSON

The Group

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

KVB Holdings and KVB GC

KVB Holdings is principally engaged in investment holding and is held as to 75% by Mr. Li, a non-executive Director, and 25% by the Administrators. KVB Holdings holds 14.75% of the issued share capital of the Company and is the sole shareholder of KVB GC as at the date of this announcement.

Each of the GC 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 Renewed Cash Dealing 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 issued share capital of KVB GC 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 Renewed Cash Dealing Agreement and the transactions contemplated thereunder, and they were required to abstain and had abstained from voting on the Board meeting approving the Renewed Cash Dealing Agreement and the transactions contemplated thereunder.

In the event that the aggregate amount of fees payable pursuant to the Renewed Cash Dealing Agreement in any period or year exceeds the relevant annual caps, or there is any material change to the terms of the Renewed Cash Dealing 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 late Ms. Tsui Wang’s estate 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;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“Cash Dealing Agreement”	the agreement in relation to the provision of cash dealing services dated 18 December 2015 entered into between KVB New Zealand and KVB Canada, KVB FX and KVB FX PTY;
“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;
“FX”	foreign exchange;
“GC Group”	KVB GC and its relevant subsidiaries from time to time;
“GC Group Company(ies)”	any company(ies) which is/are a member(s) of the GC Group and, in the context of this announcement, means KVB GC, KVB Canada, KVB FX, KVB FX PTY and KVB Trading;

“GC Services”	the provision of FX conversion and settlement services by the GC Group;
“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;
“Group Company(ies)”	any company(ies) which is/are a member(s) of the Group;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“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 GC”	KVB Kunlun Global Capital Limited, a company incorporated in BVI, being the sole shareholder of KVB FX, KVB FX PTY, KVB Canada and KVB Trading and is wholly owned by KVB Holdings;
“KVB Holdings”	KVB Kunlun Holdings Limited, a company incorporated in the BVI, being one of the controlling 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;

“KVB Services”	the provision of cash dealing services including the provision of the exchange of currencies by the Group;
“KVB Trading”	KVB Kunlun Trading (Hong Kong) Limited, a company incorporated in Hong Kong, being an indirect wholly owned subsidiary of KVB Holdings;
“Mr. Li”	Mr. Li Zhi Da, being one of the non-executive Directors, one of the controlling shareholders of the Company and one of the Administrators;
“Mr. Liu”	Mr. Liu Stefan, an executive Director;
“Previous 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;
“Renewed Cash Dealing Agreement”	the renewal agreement in relation to the Cash Dealing Agreement dated 17 June 2016 entered into between the Company and KVB GC;
“RMB”	Renminbi, the law currency of the People’s Republic of China;
“Services”	collectively the KVB Services and the GC Services and each a “Service”;
“Shareholder(s)”	holders of 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;
“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, 17 June 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, 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 enquires, 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.