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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)

DISCLOSEABLE TRANSACTION

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On 2 June 2016, KVB ZHHQ, an indirect wholly-owned subsidiary of the Company, entered into the Membership Agreement with TPME as a principal member, pursuant to which TPME has agreed to provide KVB ZHHQ with a spot trading and settlement platform for precious metals and relevant consultancy services, training services, coordination services and management services. Under the Membership Agreement, KVB ZHHQ is required to pay a one-time and non-refundable admission, training and consultancy service fee in the amount of RMB1,500,000, an annual membership management fee of RMB500,000 together with the Margin Deposit being an amount up to RMB200,000,000 depending on the trading volume and exchange settlement risks or other exchange-related risks.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Membership Agreement exceeds 5% but all those applicable percentage ratios are less than 25%, entering into the Membership Agreement constitutes a discloseable transaction of the Company under the Listing Rules.

BACKGROUND

On 2 June 2016, KVB ZHHQ, an indirect wholly-owned subsidiary of the Company, entered into the Membership Agreement with TPME as a principal member, pursuant to which TPME has agreed to provide KVB ZHHQ with a spot trading and settlement platform for precious metals in addition to relevant consultancy services, training services, coordination services and management services.

MEMBERSHIP AGREEMENT

The principal terms of the Membership Agreement are set out below:

Date: 2 June 2016

Parties: KVB ZHHQ and TPME

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, CITIC Limited, through its subsidiaries, is interested in 67% of the equity interest in TPME. CITIC Limited is a substantial shareholder of CITIC Securities Company Limited, the controlling shareholder of the Company, however CITIC Securities Company Limited is not a subsidiary of CITIC Limited and CITIC Limited is not a controlling shareholder of CITIC Securities Company Limited. Save for the above, TPME and its ultimate beneficial owners are Independent Third Parties. TPME is principally engaged in operation of a spot trading and settlement platform for precious metals.

Term: From the effective date of the online operation of the LeadingEX electronic exchange system to be implemented by TPME on around 6 June 2016 to the date of the termination of the Membership Agreement or the date of the termination of KVB ZHHQ's membership according to the terms of the Membership Agreement.

Membership: KVB ZHHQ, as a principal member, completes transactions with clients or other principal members through the spot trading and settlement platform.

Services: Being a precious metals exchange based in Tianjin, the PRC, TPME will provide KVB ZHHQ with a stable spot trading and settlement platform and spot settlement related consultancy services, training services, coordination services and management services. Currently the available products are silver, platinum, palladium, nickel, copper and aluminium.

Fees: The fees payable upon signing of the Membership Agreement by KVB ZHHQ to TPME in cash include:

- RMB1,500,000 one-time and non-refundable admission, training and consultancy service fee;
- annual management fee of RMB500,000; and
- handling charges per transaction, as determined by the rules published or notified by TPME from time to time.

The fees have been negotiated on an arm's length basis having regard to the services provided by TPME.

Capital Requirement: KVB ZHHQ is required to increase its registered capital to at least RMB100,000,000.

Margin Deposit: In order to secure its trading positions and to fulfill its obligations under the Membership Agreement, KVB ZHHQ is required to deposit and maintain with TPME a minimum Margin Deposit of RMB100,000,000 to cover and indemnify TPME in respect of any transaction and settlement risks or other transaction-related risks under the Membership Agreement. Taking into account the possible increase of the trading volume of KVB ZHHQ, the Margin Deposit is estimated to be up to RMB200,000,000 in the coming twelve months.

Termination: The Membership Agreement can be terminated by mutual consent or by TPME's termination of KVB ZHHQ's membership due to, inter alia, the failure to meet requirements, breach of TPME's rules, or failure to reimburse the Margin Deposit pursuant to certain rules or provisions under the Membership Agreement.

The aggregate consideration for the Membership Agreement is the sum of the Margin Deposit and the admission, training and consultancy service fee together with the annual management fee, being RMB202,000,000. In order for KVB ZHHQ to fulfil its obligations under the Membership Agreement, the Company may use its internal resources to secure sufficient funds.

REASONS FOR ENTERING INTO THE MEMBERSHIP AGREEMENT

Our Directors are of the view that the spot trading business in precious metals as contemplated under the Membership Agreement will strengthen the Company's exposure in the PRC market. It will also broaden the Company's customer base and enhance its trading volume and profit.

The terms of the Membership Agreement have been negotiated on an arm's length basis between TPME and KVB ZHHQ. The Directors are of the view that the terms of the Membership Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE GROUP AND KVB ZHHQ

The Group is principally engaged in the provision of leveraged forex and other trading, while the provision of cash dealing and securities trading referral services also forms part of the Group's business model.

KVB ZHHQ is an indirect wholly owned subsidiary of the Company and is principally engaged in trading in metals and other commodities, consultancy services and market management and intermediary services.

INFORMATION ON TPME

TPME was incorporated in 2008 and started its operations with effect in 2012. The founding of TPME is based on the policy of Department of State of the PRC with a view to promoting the development of Binhai New Area which is also agreed and supported by Tianjin Municipal People's Government. The major shareholders of TPME include CITIC Metal Co., Ltd, CITIC Trust Co., Ltd, Tianjin Property Rights Exchange Centre and China National Gold Group Corporation.

TPME operates a precious metals exchange in Tianjin, the PRC. Currently the available products are silver, platinum, palladium, nickel, copper and aluminium.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Membership Agreement is more than 5% but less than 25%, the Membership Agreement constitute a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and subject to the reporting and announcement requirements under the GEM Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors;
“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;
“Margin Deposit”	cash deposited by KVB ZHHQ with TPME as interest-free reimbursable margin deposit for each transaction on an as needed basis depending on the value and exposure to settlement or other transaction-related risks.;
“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;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“Independent Third Party(ies)”	party or parties independent of, and not connected with, the Company and its connected persons and their respective associates;
“KVB ZHHQ”	Zhuhai Hengqin Kunlun Financial Exchange Limited (珠海橫琴昆侖新金融交易中心有限公司), a company incorporated in the People’s Republic of China with limited liability and is an indirect wholly-owned subsidiary of the Company;
“Membership Agreement”	the principal membership agreement dated 2 June 2016 made between TPME and KVB ZHHQ in respect of the admission of KVB ZHHQ by TPME as a principal member of precious metals;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the People’s Republic of China.

“Shareholder(s)”	holders of shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“TPME”	天津貴金屬交易所有限公司 (Tianjin Precious Metals Exchange Limited), a company incorporated in the People’s Republic of China and a recognized investment exchange under the Tianjin Municipal People’s Government

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

Hong Kong, 2 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.