
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspects of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **KVB Kunlun Financial Group Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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: 6877)

**CONTINUING CONNECTED TRANSACTIONS –
SECOND SUPPLEMENTAL AGREEMENT TO THE INFORMATION
TECHNOLOGY SERVICES AGREEMENT
AND
REVISION OF ANNUAL CAPS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



A letter from the Board is set out on pages 5 to 16 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 17 to 18 of this circular. A letter from Octal Capital Limited, the Independent Financial Adviser, containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 30 of this circular.

A notice convening the EGM to be held at Suites 7501 & 7508, 75/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong on Tuesday, 27 March 2018 at 10:30 a.m. is set out on pages 39 to 41 of this circular.

A form of proxy is also enclosed. Whether or not you intend to attend and vote at the EGM of the Company, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suite 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as practicable and in any event not less than 48 hours before the time appointed for holding of the EGM of the Company or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM of the Company, or any adjourned meeting thereof (as the case may be), should you so wish, and in such event, the relevant proxy form shall be deemed to be revoked.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Letter from the Independent Board Committee	17
Letter from the Independent Financial Adviser	19
Appendix I – General Information	31
Notice of EGM	39
Accompanying Document – Form of Proxy	

DEFINITIONS

In this circular, unless the context indicates otherwise, the following expressions 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 Listing Rules;
“Banclogix”	Banclogix System Co., Limited, a company incorporated in Hong Kong with limited liability and a direct 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 the Cayman Islands with limited liability and the shares of which are listed on the Main Board;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the resolutions in respect of the Second Supplemental Agreement and the transactions contemplated thereunder, including the Revised Aggregate Annual Caps;
“Existing Aggregate Annual Caps”	the existing aggregate annual caps for the transactions contemplated under the Software Licence Agreement and the Information Technology Services Agreement as amended by the First Supplemental Agreement;
“First Supplemental Agreement”	the supplemental agreement to the Information Technology Services Agreement entered into between the Company and Banclogix on 12 August 2016 to amend certain terms of the Information Technology Services Agreement;

DEFINITIONS

“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 Board Committee”	a committee of the Board comprising all independent non-executive Directors appointed to advise the Independent Shareholders in respect of the Second Supplemental Agreement and the Revised Aggregate Annual Caps;
“Independent Shareholders”	the Shareholders who are not required to abstain from voting on the resolution at the EGM for approving the Second Supplemental Agreement and the Revised Aggregate Annual Caps under the Listing Rules;
“independent third party(ies)”	party or parties independent of, and not connected with, the Company and its connected persons and their respective associates;
“Information Technology Services Agreement”	the information technology services agreement entered into between the Company and Banclogix on 19 April 2016 pursuant to which Banclogix agreed to provide the Company and its subsidiaries with the Services (as defined in the Information Technology Services Agreement) in the ordinary and usual course of business;
“KVB GC”	KVB Kunlun Global Capital Limited, a company incorporated in the BVI;
“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 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;

DEFINITIONS

“Latest Practicable Date”	5 March 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board;
“Main Board”	the Main Board operated by the Stock Exchange;
“Membership Agreement”	the principal membership agreement dated 2 June 2016 between TPME and KVB ZHHQ in respect of the admission of KVB ZHHQ by TPME as a principal member;
“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;
“Revised Aggregate Annual Caps”	the revised aggregate maximum amounts payable by the Group to Banclogix under the Information Technology Services Agreement as amended by the Second Supplemental Agreement and under the Software Licence Agreement;
“Second Supplemental Agreement”	the conditional second supplemental agreement to the Information Technology Services Agreement entered into between the Company and Banclogix on 12 February 2018 to amend certain terms of the Information Technology Services Agreement as amended by the First Supplemental Agreement;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	issued ordinary share(s) of HK\$0.01 each of the Company;
“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 granted to the Company the Leveraged FX Software Licence;
“SOW”	statement of work;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

DEFINITIONS

“substantial shareholder(s)”	substantial shareholders defined under rule 1.01 of the Listing Rules;
“TPME”	Tianjin Precious Metals Exchange Limited (天津貴金屬交易所有限公司), a company incorporated in the People’s Republic of China and a recognised precious metals exchange under the Tianjin Municipal People’s Government;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Director

Mr. LIU Stefan (*Chief Executive Officer*)

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

Registered Office:

Cricket Square

Hutchins Drive

P. O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

***Head Office and Principal Place
of Business in Hong Kong:***

Suites 7501 & 7508, 75/F

International Commerce Centre

1 Austin Road West, Kowloon

Hong Kong

9 March 2018

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS –
SECOND SUPPLEMENTAL AGREEMENT TO THE INFORMATION
TECHNOLOGY SERVICES AGREEMENT
AND
REVISION OF ANNUAL CAPS**

INTRODUCTION

Reference is made to the respective announcements of the Company dated (i) 18 December 2015 in relation to the Software Licence Agreement entered into between the Company and Banclogix; (ii) 19 April 2016 in relation to the entering into of the Information Technology Services Agreement between the Company and Banclogix; (iii) 12 August 2016 in relation to the First Supplemental Agreement entered into between the Company and Banclogix and (iv) 12 February 2018 in relation to the entering into of the Second Supplemental Agreement to the Information Technology Services Agreement and the Revised Aggregate Annual Caps.

LETTER FROM THE BOARD

The purposes of this circular are to provide you with, among other things, (i) the principal terms of, and information relating to, the Second Supplemental Agreement; (ii) information relating to the proposed Revised Aggregate Annual Caps; (iii) a letter from Octal Capital Limited, the Independent Financial Adviser, which sets out its opinions and recommendations to the Independent Board Committee and the Independent Shareholders on the Second Supplemental Agreement and the proposed Revised Aggregate Annual Caps; (iv) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders in relation to the Second Supplemental Agreement and the proposed Revised Aggregate Annual Caps; (v) the notice of the EGM; and (vi) other information as required under the Listing Rules.

BACKGROUND OF THE SECOND SUPPLEMENTAL AGREEMENT TO THE INFORMATION TECHNOLOGY SERVICES AGREEMENT AND THE REVISION OF PROPOSED AGGREGATE ANNUAL CAPS

On 18 December 2015, the Company 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 the installation and initial customization of the software. The consideration was a one-off upfront payment of HK\$3,500,000 paid by the Company to Banclogix.

On 19 April 2016, the Company and Banclogix entered into the Information Technology Services Agreement, pursuant to which Banclogix agreed to 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, for a term commencing from 19 April 2016 and ending on 31 December 2018. The annual caps in respect of the transactions contemplated under the Information Technology Services Agreement for the years ending 31 December 2016, 31 December 2017 and 31 December 2018 were set as HK\$16,500,000, HK\$19,000,000 and HK\$20,000,000 respectively.

On 12 August 2016, the Company and Banclogix entered into the First Supplemental Agreement, pursuant to which Banclogix agreed to provide additional software development and maintenance services, information technology infrastructure project management services and information technology infrastructure maintenance services to the Group in order to facilitate (i) the transactions under the Membership Agreement; and (ii) the intended enhancement of the Company's digital marketing strategies. As a result of such additional services under the First Supplemental Agreement, the annual caps in respect of the transactions contemplated under the Information Technology Services Agreement for the years ending 31 December 2016, 31 December 2017 and 31 December 2018 were increased to HK\$28,500,000, HK\$26,000,000 and HK\$24,500,000 respectively.

Pursuant to Rule 14A.81 of the Listing Rules, given the transactions under the Software Licence Agreement and the Information Technology Services Agreement are with the same connected person, namely Banclogix, and were entered into within 12-month period, such transactions shall be aggregated for the purposes of the Listing Rules. For details of the Existing Aggregate Annual Caps, please refer to the section headed "The Revised Aggregate Annual Caps" below.

LETTER FROM THE BOARD

The Company intends to provide more competitive services to its clients via mobile trading application development and to enhance its internal financial and budget control through SAP system upgrade. As such, the Company is desirous of engaging Banclogix to provide additional information technology services within the same scope under the schedules of the Information Technology Services Agreement as amended by the First Supplemental Agreement.

In light of the above intention, the Board expects additional services under the Information Technology Services Agreement as amended by the First Supplemental Agreement to be required by the Group from Banclogix. Thus, the Existing Aggregate Annual Caps need to be increased and revised.

SECOND SUPPLEMENTAL AGREEMENT TO THE INFORMATION TECHNOLOGY SERVICES AGREEMENT

On 12 February 2018 (after trading hours), the Company and Banclogix entered into the Second Supplemental Agreement to the Information Technology Services Agreement as amended by the First Supplemental Agreement. The Second Supplemental Agreement is conditional upon the approval of Independent Shareholders at the EGM.

In light of the Company's intention to provide more competitive services to its clients via mobile trading application development and to enhance its internal financial and budget control through SAP system upgrade, the Board considers that the Existing Aggregate Annual Caps should be revised to cater for additional information technology support to the updated and latest business plans of the Group. As such, the Company proposes amending the Information Technology Services Agreement as amended by the First Supplemental Agreement and revising the Existing Aggregate Annual Caps.

LETTER FROM THE BOARD

Accordingly, the Company and Banclogix entered into the Second Supplemental Agreement to revise the Existing Aggregate Annual Caps. The principal terms of the Second Supplemental Agreement are set out below:

Date:	12 February 2018
Parties:	(i) the Company; and (ii) Banclogix
Additional services:	Software development and maintenance services, and information technology infrastructure project management services to the Group in order to facilitate (i) the mobile trading application development; and (ii) the SAP system upgrade.
Revised Aggregate Annual Caps:	For details of the revision to the Existing Aggregate Annual Caps, please refer to the section headed “The Revised Aggregate Annual Caps” below.
Other changes:	In order to reflect that the Company has moved its listing from the GEM to the Main Board, references to the GEM and the GEM Listing Rules have been amended to be references to the Main Board and the Listing Rules.

Save as disclosed above, the other terms and conditions of the Information Technology Services Agreement as amended by the First Supplemental Agreement remain unchanged and effective.

CONDITIONS PRECEDENT TO THE SECOND SUPPLEMENTAL AGREEMENT

The effectiveness of the Second Supplemental Agreement is conditional upon the Company having obtained all relevant approvals required under the Listing Rules, being obtaining the approval of its Independent Shareholders at a general meeting, on or before 30 April 2018 (or such other date agreed by the parties).

If the Company has not obtained its Independent Shareholders’ approval on or before 30 April 2018 (or such other date agreed by the parties), the Second Supplemental Agreement shall terminate with no further force or effect.

PRICING POLICY

Software Licence Agreement

The service charge payable by the Company for the services provided under the Software Licence Agreement was determined between the Company and Banclogix after arm’s length negotiation with reference to the projected billable man-days of information technology specialists spent on the product at their respective daily charging rates. The agreed scope was set out in an agreed SOW and to ensure the

LETTER FROM THE BOARD

fairness and reasonableness of the fees charged, the Company considered a number of factors including (1) cost of services in terms of billable man-days and charging rates; (2) the price and daily charging rate of the different levels of information technology specialists for the same or similar type of services provided to the Company by other service providers in the market; and (3) the price of the same or similar type of services previously provided to the Company by Banclogix with the daily charging rate from approximately HK\$2,800 to approximately HK\$6,000 for different levels of the information technology specialists from programmer to project manager.

Information Technology Services Agreement as amended by the Second Supplemental Agreement

The additional services included in the Information Technology Services Agreement pursuant to the Second Supplemental Agreement include:

- (i) **software development services:** the provision of services for the development of mobile trading application of the Company which involves:
 - (a) the grant by Banclogix to the Group of an exclusive technology licence for the operation of the mobile trading application;
 - (b) the customization and development by Banclogix of the mobile trading application; and
 - (c) the product environment testing of the mobile trading application, to test the operation capacity and data security of the mobile trading application;
- (ii) **software maintenance services:** the provision of maintenance services in relation to the mobile trading application following delivery to, and commencement of usage, of the application by the Company; and
- (iii) **information technology infrastructure project management services in relation to SAP system upgrade:** upgrading the SAP system of the Company, which is targeted at enhancing the productivity and efficiency of the daily operations of the Company.

Software development services

In considering the pricing of fees which will be payable to Banclogix by the Company in respect of software development services to be provided under the Information Technology Services Agreement as amended by the Second Supplemental Agreement, the Company considered each of the following factors:

- (i) in respect of pricing of the software licence fees in relation to the technology licence to be granted by Banclogix to the Group, the Company considered the requirements of the software licences to be used in the mobile trading application development and compared with the specifications of the software licences offered by other service providers. The Company noted that Banclogix's quotation is approximately 8% lower than similar software licences provided by other service providers in the market;

LETTER FROM THE BOARD

- (ii) in respect of the pricing of fees for software customization and further development of the mobile trading application, the Company considered quotations from other service providers in the market in comparison to that from Banclogix with emphasis on services scope and service charge. The Company noted other service providers in the market provide services similar to Banclogix, while the quotation of Banclogix is near the bottom of the range of the quotations offered by such alternative service providers;
- (iii) in respect of pricing of fees payable in respect of product environment testing, the Company estimated the cost of conducting the relevant testing internally with sufficient number of users to carry out beta testing of the mobile trading application (taking into consideration, inter alia, the fact that Banclogix has at least 2,000 existing users who are readily available to carry out the beta testing without incurrance of costs to acquire new users for testing purposes); and
- (iv) the pricing policies which are applicable to the Software Licence Agreement, as set out above under the paragraph headed "Software Licence Agreement".

Software maintenance services

Pursuant to the Information Technology Services Agreement as amended by the Second Supplemental Agreement, following the completion of the software development the Company shall pay Banclogix fees for software maintenance services at an annual rate of 15% of the fees agreed in the signed SOW.

In considering the pricing of fees which will be payable to Banclogix by the Company in respect of such software maintenance services, the Company considered a number of factors including (1) the annual rate on the fees agreed in the signed SOW between the Group and other services providers in the market for the completion of software for the Group; and (2) the annual rate of 15% of the fees agreed in the signed SOW or agreement between the Group and Banclogix for the same or similar type of services provided to the Group by Banclogix.

Information technology infrastructure project management services in relation to SAP system upgrade

Pursuant to the Information Technology Services Agreement as amended by the Second Supplemental Agreement, Banclogix shall be responsible for upgrading the SAP system. In this regard, Banclogix will purchase the relevant service from other independent third parties without charging any additional costs, and the relevant cost will be allocated to the Group and KVB Holdings according to their respective staff headcount. Banclogix has obtained quotation from three independent third parties, and will choose the service provider which can offer the lowest price as well as fulfil the requirements prescribed by the Group and KVB Holdings. The Company believes that such pricing policy is reasonable as it would achieve the requirements of the Group at the lowest possible costs, taking into consideration the fact that Banclogix will assist to ensure proper implementation of the SAP system upgrade.

LETTER FROM THE BOARD

THE REVISED AGGREGATE ANNUAL CAPS

Upon the Second Supplemental Agreement becoming effective, the Existing Aggregate Annual Caps under the Information Technology Services Agreement will be revised and the Revised Aggregate Annual Caps are as follows:

	For the year ending 31 December 2016 (HK\$)		For the year ending 31 December 2017 (HK\$)		For the year ending 31 December 2018 (HK\$)
Transactions	Annual cap	Actual amounts	Annual cap	Actual amounts	Annual cap
Software Licence Agreement Information Technology Services Agreement as revised by the First Supplemental Agreement	3,500,000	3,500,000	0	0	0
	25,000,000	24,969,800	26,000,000	25,756,939	24,500,000
Existing Aggregate Annual Caps	<u>28,500,000</u>	<u>28,469,800</u>	<u>26,000,000</u>	<u>25,756,939</u>	<u>24,500,000</u>
<i>% of utilisation</i>		99.9%		99.1%	
Additional information technology services contemplated under the Second Supplemental Agreement	0		0		13,000,000
Revised Aggregate Annual Caps	<u>28,500,000</u>	<u>28,469,800</u>	<u>26,000,000</u>	<u>25,756,939</u>	<u>37,500,000</u>
<i>% of utilisation</i>		99.9%		99.1%	

The above caps were determined by reference to:

- (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 services of the Group; and

LETTER FROM THE BOARD

- (c) the increasing need of the Group to continuously develop and improve the software application to support the Group's core businesses.

When determining the Revised Aggregate Annual Caps, the Company has relied on the principal assumption that, during the term of the Information Technology Services Agreement as amended by the First Supplemental Agreement and the Second Supplemental Agreement, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the business of the Group and/or Banclogix.

The Board, excluding the Independent Board Committee, is of the view that the Revised Aggregate Annual Caps are in line with the estimated latest developments of the business and the business plans of the Group, and are determined based on the principles of fairness and reasonableness.

INTERNAL CONTROLS AND RISK MANAGEMENT MEASURES

The Company has adopted and will continue to adopt the following internal control and risk management control measures in respect of the Software Licence Agreement and the Information Technology Services Agreement as amended by the Second Supplemental Agreement:

- (a) the finance department of the Group shall be responsible for monitoring the actual transaction amounts or service fees relating to the Software Licence Agreement and the Information Technology Services Agreement as amended by the Second Supplemental Agreement. The finance department shall review the relevant yearly budget prepared by Banclogix and shall compare and monitor each invoice received from Banclogix against both the yearly budget and the Revised Aggregate Annual Caps to ensure that it does not exceed the Revised Aggregate Annual Caps;
- (b) bi-annually the finance department of the Group will make an enquiry with Banclogix requesting confirmation in writing from Banclogix that they have not provide services to the Group on terms which are less favourable than those offered by the independent third parties;
- (c) each year the independent non-executive Directors shall review the transactions contemplated under the Software Licence Agreement and the Information Technology Services Agreement as amended by the Second Supplemental Agreement;
- (d) each year the independent non-executive Directors shall, if appropriate, confirm in the Group's annual report that the transactions contemplated under the Software Licence Agreement and the Information Technology Services Agreement as amended by the Second Supplemental Agreement have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms offered by independent third parties; and

LETTER FROM THE BOARD

- (iii) in accordance with the terms of the Software Licence Agreement and the Information Technology Services Agreement as amended by the Second Supplemental Agreement and on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole;
- (e) each year the Directors shall review the Software Licence Agreement and the Information Technology Services Agreement as amended by the Second Supplemental Agreement and, if appropriate, confirm in the Group's annual report that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules; and
- (f) each year the Company shall engage the Company's auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

REASONS FOR AND BENEFITS OF THE SECOND SUPPLEMENTAL AGREEMENT AND REVISION OF RELEVANT ANNUAL CAPS

The services provided under the Information Technology Services Agreement as amended by the Second Supplemental 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 minimise possible service interruptions or other negative consequences.

The mobile trading application to be developed will enable the Group's clients to place trade orders, access market information and manage their trading accounts, which will bring the clients more competitive client services and trading experiences. The SAP system upgrade will improve the Group's internal financial and budget control.

The abovementioned continuing connected transaction as contemplated under the Information Technology Services Agreement as amended by the First Supplemental Agreement and the Second Supplemental Agreement will occur on a regular and continuing basis in the ordinary and usual course of business of the Group.

Based on the above factors, the Directors (excluding the independent non-executive Directors whose opinion is set out in the Letter from the Independent Board Committee as set out on pages 17 to 18 of this circular, and excluding Mr. Li and Mr. Liu who are considered as having a material interest in the transactions contemplated under the Information Technology Services Agreement as amended by the First Supplemental Agreement and the Second Supplemental Agreement and were hence required to abstain from voting in respect of the relevant board resolutions) are of the view that the Information Technology Services Agreement as amended by the First Supplemental Agreement and the Second Supplemental Agreement and the terms thereof and the Revised Aggregate Annual Caps for the three years ending 31 December 2018 have been entered into on an arm's length basis, and in the ordinary and usual course of

LETTER FROM THE BOARD

business, and that the transactions contemplated thereunder and the Revised Aggregate Annual Caps are on normal commercial terms or on terms no less favourable than those available from independent third parties offering the same or similar services, and are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE PARTIES

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

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 Latest Practicable Date.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Banclogix is a wholly-owned subsidiary of KVB Holdings which is a substantial shareholder of the Company, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Information Technology Services Agreement as amended by the First Supplemental Agreement and the Second Supplemental Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Information Technology Services Agreement as amended by the First Supplemental Agreement and the Second Supplemental 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 one or more of the applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) exceeds 5% and the total consideration exceeds HK\$10,000,000, the transactions contemplated thereunder constitute non-exempt continuing connected transactions of the Company and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. KVB Holdings and its associates are required to abstain from voting on the resolution at the EGM for approving the Second Supplemental Agreement and the Revised Aggregate Annual Caps. Saved as mentioned above and below, to the best of the Directors' knowledge and belief, there are no other Shareholders that have any material interest in the transactions and therefore will not be required to abstain from voting on the relevant resolutions at the EGM.

LETTER FROM THE BOARD

The Directors have established the Independent Board Committee comprising three independent non-executive Directors, namely Ms. ZHAO Guixin, Mr. Cornelis Jacobus KEYSER and Mr. LIN Wenhui, to advise the Independent Shareholders in respect of, among other things, the Second Supplemental Agreement and the Revised Aggregate Annual Caps. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

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 Information Technology Services Agreement, the First Supplemental Agreement and the Second Supplemental Agreement or the transactions contemplated thereunder, save that (i) Mr. Li is a director for 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 to have a material interest in the Information Technology Services Agreement, the First Supplemental Agreement, the Second Supplemental Agreement and the transactions contemplated thereunder, and they are required to abstain, and did abstain, from voting on the Board meeting approving the Second Supplemental Agreement and the transactions contemplated thereunder.

In the event that the aggregate amount of fees payable to Banclogix in any period or year is expected to exceed the Revised Aggregate Annual Caps, or there are any further proposed material changes to the terms of the Information Technology Services Agreement as amended by the First Supplemental Agreement and Second Supplemental Agreement, the Company will re-comply with the announcement and the Independent Shareholder's approval requirements under chapter 14A of the Main Board listing rules accordingly.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 17 to 18 of this circular which contains its recommendations to the Independent Shareholders.

In addition, your attention is drawn to the letter from Octal Capital Limited, the Independent Financial Adviser, set out on pages 19 to 30 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons considered by it in formulating its advice.

THE EGM AND SHAREHOLDERS APPROVAL

The EGM will be held at Suites 7501 & 7508, 75/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong on Tuesday, 27 March 2018 at 10:30 a.m.. A notice to convene the EGM is set out on pages 39 to 41 of this circular.

At the EGM, ordinary resolutions will be proposed to approve (i) the entering into of the Second Supplemental Agreement; and (ii) the Revised Aggregate Annual Caps for the three years ending 31 December 2016, 31 December 2017 and 31 December 2018 respectively.

LETTER FROM THE BOARD

As at the Latest Practicable Date, KVB Holdings (which holds 100% of the issued share capital of Banclogix) and its associates will be required to abstain from voting at the EGM with respect to the ordinary resolutions in relation to the Second Supplemental Agreement and the Revised Aggregate Annual Caps at the EGM.

In order to determine that the list of Shareholders who are entitled to attend and vote at the EGM, the register of the Shareholders of the Company will be closed from Friday, 23 March 2018 to Tuesday, 27 March 2018 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration by no later than 4:00 p.m. (Hong Kong time) on Thursday, 22 March 2018.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendix to this circular and the notice of the EGM set out in this circular.

Yours faithfully,
By order of the Board
KVB Kunlun Financial Group Limited
LIU Stefan
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the letter of advice from the Independent Board Committee to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



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)

9 March 2018

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS –
SECOND SUPPLEMENTAL AGREEMENT TO THE INFORMATION
TECHNOLOGY SERVICES AGREEMENT
AND
REVISION OF ANNUAL CAPS**

We refer to the circular of the Company dated 9 March 2018 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, the terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, (i) the Second Supplemental Agreement to the Information Technology Services Agreement (the “**Second Supplemental Agreement**”) was entered into in the ordinary and usual course of business of the Group on normal commercial terms or on terms no less favourable than those available from independent third parties for the same or similar services; and (ii) the terms of the Second Supplemental Agreement to the Information Technology Services Agreements are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Having considered the terms of the Information Technology Services Agreement as amended by the First Supplemental Agreement and Second Supplemental Agreement and the advice of the Independent Financial Adviser, namely Octal Capital Limited, in relation hereto as set out on pages 19 to 30 of the Circular, we are of the opinion that the Second Supplemental Agreement was entered into in the ordinary and usual course of business of the Group on normal commercial terms or on terms no less favourable than those available from independent third parties for the same or similar services, and the terms of the transactions contemplated under the Information Technology Services Agreement as amended by the First Supplemental Agreement and the Second Supplemental Agreement and the Revised Aggregate Annual Caps are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Second Supplemental Agreement, the transactions contemplated thereunder and the Revised Aggregate Annual Caps.

Yours faithfully,

For and on behalf of the
the Independent Board Committee

Mr. LIN Wenhui

Mr. Cornelis Jacobus KEYSER
Independent Non-executive Directors

Ms. ZHAO Guixin

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



801-805, 8/F, Nan Fung Tower
88 Connaught Road Central
Hong Kong

*To the Independent Board Committee
and Independent Shareholders*

9 March 2018

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Revised Aggregate Annual Caps particulars of which are set out in the Letter from the Board (the “**Letter**”) in the circular (the “**Circular**”) dated 9 March 2018, of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular.

On 18 December 2015, the Company 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 customization of the software. The consideration was a one-off upfront payment of HK\$3,500,000 paid by the Company to Banclogix.

On 19 April 2016, the Company and Banclogix entered into the Information Technology Services Agreement, pursuant to which Banclogix agreed to 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, for a term commencing from 19 April 2016 and ending on 31 December 2018. The annual caps in respect of the transactions contemplated under the Information Technology Services Agreement for the years ending 31 December 2016, 31 December 2017 and 31 December 2018 were set as HK\$16,500,000, HK\$19,000,000 and HK\$20,000,000 respectively.

On 12 August 2016, the Company and Banclogix entered into the First Supplemental Agreement, pursuant to which Banclogix agreed to provide additional software development and maintenance services, information technology infrastructure project management services and information technology infrastructure maintenance services to the Group in order to facilitate (i) the transactions under the Membership Agreement; and (ii) the intended enhancement of the Company’s digital marketing strategies. As a result of such additional services under the First Supplemental Agreement, the annual caps in respect of the transactions contemplated under the Information Technology Services Agreement for the years ending 31 December 2016, 31 December 2017 and 31 December 2018 were increased to HK\$28,500,000, HK\$26,000,000 and HK\$24,500,000 respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Information Technology Services Agreement as amended by the First Supplemental 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.

On 12 February 2018 (after trading hours), the Company and Banclogix entered into the Second Supplemental Agreement to the Information Technology Services Agreement. The Second Supplemental Agreement is conditional upon the approval of Independent Shareholders at the EGM. Upon the Second Supplemental Agreement becoming effective, the Existing Aggregate Annual Caps will be revised and the Revised Aggregate Annual Caps for the years ending 31 December 2018 were increased from HK\$24,500,000 to HK\$37,500,000.

As at the date of this circular, Banclogix is a wholly-owned subsidiary of KVB Holdings, which is a substantial shareholder of the Company, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Information Technology Services Agreement as amended by the Second Supplemental Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) exceeds 5% and the total consideration exceeds HK\$10,000,000, the transactions contemplated constitute non-exempt continuing connected transactions of the Company (the “**Continuing Connected Transactions**”) and are subject to the reporting, announcement, annual review and Shareholders’ approval requirements under Chapter 14A of the Listing Rules. KVB Holdings and its associates are required to abstain from voting on the resolution of the EGM for approving the Second Supplemental Agreement and the Revised Aggregate Annual Caps. Saved as mentioned above and below, to the best of the Directors’ knowledge and belief, no other Director or Shareholder has any material interest in the transactions and therefore will be required to abstain from voting on the relevant resolutions at the EGM.

In this regard, Octal Capital Limited (“**Octal Capital**”) has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Continuing Connected Transactions and the Revised Aggregate Annual Caps for the year ending 31 December 2018.

Octal Capital is independent from, and not connected with the Company, Directors, chief executive or, substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. In 2016, we were engaged as the independent financial adviser to the Company (the “**Previous Engagement**”) in respect of the revision of annual caps under the First Supplemental Agreement (details can be referred to the circular of the Company dated 2 September 2016). Under the Previous Engagement, we were required to express our opinion on and give recommendation to the independent committee of the Board comprising all the independent non-executive Directors in respect of the relevant transactions. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Octal Capital will receive any fees or benefits from the Company or the Directors, chief executive or substantial shareholders of the Company or their respective associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Letter and have assumed that all information and representations made or referred to in the Letter as provided by the Company, its representatives, its management (the “**Management**”) and the Directors were true at the time they were made and continue to be true as at the date of the Letter and remain true as at the date hereof. We have also relied on our discussion with the Company, its representatives, its management and the Directors regarding the Group, the Continuing Connected Transactions, including the information and representations contained in the Letter. We have also assumed that all statements of belief, opinion and intention made by the Company, its representatives, its management and the Directors in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Letter and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Letter nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, its representatives, its management and the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group and their respective associates, nor have we carried out any independent verification of the information supplied to us.

THE CONTINUING CONNECTED TRANSACTIONS AND THE REVISED AGGREGATE ANNUAL CAPS

Principal Factors and Reasons Considered

In arriving at our opinion regarding the terms of the Continuing Connected Transactions and the Revised Aggregate Annual Caps for the year ending 31 December 2018, we have considered the following principal factors and reasons:

Information on the Group

The Group is principally engaged in leveraged foreign exchange and other trading, while the provision of cash dealing and securities trading referral services also form part of the Group’s business model.

Information on Banclogix

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 Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Background of the Revised Aggregated Annual Caps and the Continuing Connected Transactions

Reference is made to the third quarterly report of the Company for the nine months ended 30 September 2017 (the “**3rd Quarterly Report**”). Due to the reduction of overall volatility in the foreign exchange and the commodity markets, the Company experienced a period of unfavourable trading conditions. This resulted in a decrease in gross trading revenue. However, new customer registrations and the total customers’ trading volume increased during the period, compared to the figures of the first three quarters of 2016. Having considered the above reasons, the Company committed to provide more comprehensive services to meet the needs of customers, and provide them with more trading opportunities in the global financial markets.

On 12 February 2018, the Company and Banclogix entered into the Second Supplemental Agreement, pursuant to which Banclogix has agreed to construct a mobile trading application for the Company and upgrade the SAP system for the Group (the “**SAP System Upgrade**”).

Reasons for and the benefits of the Continuing Connected Transactions

With reference to the Letter from the Board, the services provided under the Information Technology Services Agreement as supplemented by the Second Supplemental 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 mobile trading application to be developed will enable the Group’s clients to place trade orders, access market information and manage their trading accounts, which will bring the clients more competitive client services and trading experiences. The SAP System Upgrade will improve the Group’s internal financial and budget control.

As stated in the 3rd Quarterly Report, the Directors consider that the retail margin FX trading market will remain highly competitive in the foreseeable future, of which the competitors include international multi-product trading firms, other online trading firms, and other financial institutions. Based on our discussion with the Company, we note that it is a common trend for financial institutions to provide mobile trading services in equity and FX trading market. The Group may become less competitive if the Group is unable to provide mobile trading services for its existing customers and potential customers. The Company expects that the mobile trading application will enhance the attractiveness of the whole trading platform to customers, and hence will solidify the market position of the Company.

According to the China Internet Network Information Center, being the administrative agency responsible for internet affairs under the Ministry of Industry and Information Technology of the PRC, the number of mobile internet users has steadily increased in recent years. The number of mobile internet users in the PRC as at the end of 2014, 2015 and 2016 were approximately 557 million, 688 million and 731 million respectively, representing a compound annual growth rate of approximately 14.6% between 2014 and 2016. With the consistent increase of number of mobile internet users in the PRC, the Directors are of the view that the mobile trading application will enable the Group to tap into the potential of the fast growing market of the mobile investment market in the PRC and capture the opportunities arising from the growing trend of mobile internet users.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On the other hand, the operation of the Group is highly dependent on the capability and reliability of the Group's SAP system, which can enhance the Group's operational efficiency and productivity. As advised by the Company, the existing version of the SAP system has been implemented approximately eight years ago, which came with limited functionality when comparing with the latest version of the SAP system. To fulfill the need of regular financial reporting and analysis for decision making, the Group together with the associated companies of KVB Holdings engaged Banclogix to organize the SAP System Upgrade, in which Banclogix will partner with an external SAP professional service provider (the "**SAP Upgrade Consultant**"). The professional service cost of SAP System Upgrade of approximately HK\$3,000,000 will be allocated to the Group on the basis of number of the Group's headcounts, accounting for approximately 44.9% of the aggregate headcounts of the Group and KVB Holdings and its subsidiaries. Banclogix, acting as a facilitator to assist the SAP System Upgrade with the SAP Upgrade Consultant, will not charge additional cost on top of the service fee charged by the SAP Upgrade Consultant.

Based on the above, having considered that (i) the mobile trading application will solidify the market share of the Group in the FX trading industry; (ii) the Mobile Trading Platform will enable the Company to capture the opportunities arising from the growing trend of mobile internet users; and (iii) the SAP System Upgrade will enhance productivity and efficiency of the Group and KVB Holdings, we are of the view that the mobile trading application and the SAP System Upgrade are in the interests of the Company and the Shareholders as a whole (including the Independent Shareholders).

SECOND SUPPLEMENTAL AGREEMENT TO THE INFORMATION TECHNOLOGY SERVICES AGREEMENT

The principal terms of the Second Supplemental Agreement are set out below:

Date:	12 February 2018
Parties:	(i) the Company; and (ii) Banclogix
Additional Services:	Software development and maintenance services, and information technology infrastructure project management services to the Group in order to facilitate (i) the mobile trading application development; and (ii) the SAP system upgrade.
Revised Aggregate Annual Caps:	For details of the revision to the Existing Aggregate Annual Caps please refer to the section headed "The Revised Aggregate Annual Caps" in the Letter from the Board.
Other Changes	In order to reflect that the Company has moved its listing from the GEM to the Main Board, references to the GEM and the GEM Listing Rules have been amended to be references to the Main Board and the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing Policies of the Second Supplemental Agreement

Pursuant to the Information Technology Services Agreement as amended by the Second Supplemental Agreement, the scope of services includes (i) the software development services in relation to the mobile trading application (the “**Software Development Services**”); (ii) the software maintenance services in relation to the mobile trading application (the “**Software Maintenance Services**”); and (iii) the SAP System Upgrade.

(i) Software Development Services

The service charge payable by the Company for the transactions contemplated under the Information Technology Services Agreement as amended by the Second Supplemental Agreement is concluded in (i) the software licences (the “**Software Licence**”); (ii) the software customization and further development (the “**Software Customization and Further Development**”); and (iii) the production environment testing (the “**Production Environment Testing**”). The Software Licence is one of the fundamental components of the development of mobile trading application which will grant an exclusive technology licence to the Group for the operation of the mobile trading application. The Software Customization and Further Development is the development cost of the mobile trading application by Banclogix and the Production Environment Testing can ensure the operation capacity and data security of the mobile trading application to prevent any system overload or any unauthorized access to or use of customer data, which are determined by statement of work (the “**SOW**”) agreed between the Company and Banclogix after arm’s length negotiation. The SOW details the overall services scope, project schedule and fees of the development of the mobile trading application. To assess the fairness and reasonableness of the pricing policy of the Software Licence, the Software Customization and Further Development and the Production Environment Testing, we have reviewed quotations offered by two independent third parties (the “**Comparable(s)**”) in comparison to the quotation offered by Banclogix and their service scope of application development of the mobile trading application. By reviewing the quotations offered by the Comparables, we noted that the Comparables generally provide similar services to the Software Development Services provided by Banclogix while the service scope of the Comparables generally meets the requirements of the Company in terms of the functions and the development schedule of the mobile trading application. Therefore, we are of the view that the Comparables are fair and representative samples for us to justify the reasonableness and fairness of the pricing policy of the Software Development Services and the Software Maintenance Services.

For the Software Licence, we have discussed with the management about the requirement of the software licences to be used in the development of mobile trading application and compared the specification of the Software Licence and the software licences offered by the Comparables. We noted that one of the Comparables would be able to provide the software licences being similar to the Software Licence and fulfil the requirement of the Group on the development of the Mobile Trading Platform. After comparison of the quotations, we noted that the price of the Software Licence provided by Banclogix is approximately 8% lower than the software licence provided by the Comparable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the Software Customization and Further Development, we have reviewed quotation offered by the Comparables in comparison to the quotation offered by Banclogix and the terms of Information Technology Services Agreement as amended by the Second Supplemental Agreement, particularly relating to the services scope and service charge. In term of the services scope of the Comparables, we noted that the scope of services required by the Group is under the Software Customization and Further Development. Based on our review of the service scope under the software development services of the Comparables, we understand that the Comparables provide the development service similar to the Software Customization and Further Development provided by Banclogix. We have compared the quotation of Banclogix with those of the Comparables, and we noted that the quotation of Banclogix on the Software Customization and Further Development is within the range of the quotations offered by the Comparables, which is also near the bottom of such range.

For the Production Environment Testing, we understand from the management that the testing environment is based on the expected number of simultaneous visits on the mobile trading application. The Group considered that the Production Environment Testing provided by Banclogix, which has at least 2,000 existing customers to conduct testing on the mobile trading application during the production environment, is sufficient to perform testing on the mobile trading application to ensure its operational capacity and data security before launching it to the market. After reviewing the service scope of the Comparables, we noted that the Comparables were not able to provide testing services similar to Production Environment Testing for mobile trading application with their existing customers. The Group has attempted to but was not able to identify any other suppliers which provide service similar to the Production Environment Testing. Alternatively, the Group has estimated the potential cost incurred on Production Environment Testing if the Group conducts the test internally. To assess the fairness and the reasonableness of the Production Environment Testing provided by Banclogix, we have obtained the breakdown of the historical cost of acquiring a new customer by the Group and compared it with the cost per customer quotation of Production Environment Testing service offered by Banclogix. We noted that the cost per customer offered by Banclogix is lower, comparing to the historical marketing cost of acquiring a new customer by the Group.

(ii) Software Maintenance Services

Pursuant to the Information Technology Services Agreement as amended by the Second Supplemental Agreement, Banclogix will provide software maintenance services for the mobile trading application after its completion. The services will be charged at an annual rate of 15% of the aggregate amount of the Software Licence and the Software Customization and Further Development. To assess the fairness and reasonableness of the pricing policy of the Software Maintenance Services, we have reviewed quotations of the Comparables and understood that the software maintenance services offered by the Comparables are similar to the Software Maintenance Services and are also at 15% of the aggregate fee for the similar services of the Software Licence and the Software Customization and Further Development.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) SAP System Upgrade

With reference to the “Letter from the Board”, the Group together with KVB Holdings plan to implement the SAP System Upgrade to enhance their productivity and efficiency for daily operation. Banclogix shall be responsible for upgrading the SAP system. As advised by the Company, Banclogix will purchase service from other independent third parties, without charging additional cost on top of such service fee, and allocate the fee to the Group and the KVB Holdings according to their respective staff headcount. To access the fairness and reasonableness, we have reviewed the terms of Second Supplemental Agreement between the Company and the Banclogix and the quotations offered to Banclogix by other three independent third parties. As advised by the Company, Banclogix will choose the SAP System Upgrade service from an independent third party (the “**SAP Subcontractor**”) which can fulfill the requirement set by the Group and KVB Holdings and offers the lowest price for SAP System Upgrade. Banclogix will assist the SAP Subcontractor during the process of the SAP System Upgrade and ensure the proper implementation of the SAP System Upgrade. In this regard, we have reviewed the scope of service and quotations from three independent third parties offered to Banclogix. Moreover, we also reviewed the method of Banclogix in allocating the total SAP System Upgrade services fee into the Group and KVB Holdings. We noted that Banclogix will allocate the related service fees charged by the SAP Subcontractor to the Group based on the number of staff headcount of the Group to the total staff headcount of the Group and KVB Holdings and its subsidiaries. We understand from the Company that the SAP system, which has integrated the business functions of the Group including accounting and finance, human resource and sales and marketing departments, has being widely used by the staff of the Group. As the number of staff headcount in each company under the Group represents the respective usage to the SAP system to a large extent, we are of the view that allocating the cost of SAP System Upgrade based on the Group’s staff headcount is fair and reasonable.

Having taken into account (i) the price of the Software Licence provided by Banclogix being approximately 8% lower than the software licence provided by the Comparable; (ii) the quotation of Banclogix on the Software Customization and Further Development being near the bottom of the range of the quotations offered by the Comparables; (iii) the cost per customer offered by Banclogix on the Production Environment Testing being lower than the historical marketing cost on acquiring new customer by the Group; (iv) the fee allocation of the SAP System Upgrade is based on the staff headcount of the Group; and (v) the fact that the SAP Contractor will be chosen based on the specification of the proposed SAP System Upgrade and the level of the price, we consider the service charge offered by Banclogix is on normal commercial terms which is also subject to constant transaction review procedures conducted by the finance department of the Group, the independent non-executive Directors and the auditor of the Company as detailed in the section headed “Internal Control”.

Internal control

As stated in the Letter and further to our review on the annual report of the Company and the auditor’s letter on continuing connected transactions under the Listing Rules for the financial year ended 31 December 2016, the independent non-executive Directors will review the relevant Continuing Connected Transactions and the auditor of the Company will also conduct an annual review on the relevant pricing terms and annual caps thereof to ensure that the Continuing Connected Transactions have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having taken into account (i) reasons of entering to the Second Supplemental Agreement; (ii) the pricing mechanism as stated above in relation to the Continuing Connected Transactions; (iii) the nature of the transactions contemplated under the Information Technology Services Agreement as amended by the Second Supplemental Agreement; (iv) Banclogix being a long-term information technology services provider of the Group since 2014; (v) the specially customized information technology infrastructure maintenance services based on the information technology policies of the Group provided by Banclogix for risk management purpose; (vi) the additional undertaking by Banclogix not to provide services to the Company and its subsidiaries on terms which are less favourable than those offered by the independent third parties; and (vii) the transaction review procedures conducted by both the independent non-executive Directors and the auditor of the Company as stated above, we consider that the pricing mechanism under the Information Technology Services Agreement as amended by the Second Supplemental Agreement and the terms thereunder are on normal commercial terms or on terms no less favourable than those available from independent third parties on the same or similar services, and are fair and reasonable as far as the Independent Shareholders are concerned.

The Basis for the Revised Aggregate Annual Caps

As shown in the table set out in the section headed “The Revised Aggregate Annual Caps” in the Letter from the Board, and based on our review of the signed SOWs between the Group and Banclogix, we note that the total transaction amount between the Group and Banclogix under the Software Licence Agreement and the Information Technology Services Agreement for the year ended 31 December 2017 is approximately HK\$25.76 million, representing utilisation rates of approximately 99.10% of the Existing Aggregate Annual Caps.

As stated in the Letter, the Revised Aggregate Annual Caps were determined by reference to:

- (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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

When determining the Revised Aggregate Annual Caps for the year ending 31 December 2018, the Company has relied on the principal assumption that, during the term of the Information Technology Services Agreement as supplemented by the Second Supplemental Agreement, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the business of the Group and/or Banclogix. Set out below is the Revised Aggregate Annual Caps for 2018:

	For the year ended 31 December 2016		For the year ended 31 December 2017		For the year ending 31 December 2018
	(HK\$)	(HK\$)	(HK\$)	(HK\$)	(HK\$)
Transactions	Annual cap	Actual amounts	Annual cap	Actual amounts	Annual cap
Software Licence Agreement	3,500,000	3,500,000	0	0	0
Information Technology Services Agreement as revised by the First Supplemental Agreement	25,000,000	24,969,800	26,000,000	25,756,939	24,500,000
Existing Aggregate Annual Caps	<u>28,500,000</u>	<u>28,469,800</u>	<u>26,000,000</u>	<u>25,756,939</u>	<u>24,500,000</u>
<i>% of utilisation</i>		99.9%		99.1%	
Additional information technology services contemplated under the Second Supplemental Agreement					13,000,000
Revised Aggregate Annual Caps	<u>28,500,000</u>	<u>28,469,800</u>	<u>26,000,000</u>	<u>25,756,939</u>	<u>37,500,000</u>
<i>% of utilisation</i>		99.9%		99.1%	

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the reasonableness of the Revised Aggregate Annual Caps, we have taken into consideration of the following:

- (i) We have reviewed the new budget determined by the arm's length negotiation between the Group and Banclogix for the new information technology services including the development of the mobile trading application and the SAP System Upgrade. With reference to the above revised aggregate annual caps table, we note there was high utilization rate during the period of 2016 and 2017, and consider that the existing annual caps are not able to cover the additional cost to be incurred for the development of mobile trading application and the SAP System Upgrade;
- (ii) As advised by the Company, new customer registrations and the total customers' trading volume increased during the period under review despite the unfavourable FX market condition. With the consistent increase in new customers registrations expected by the Company and the favourable macro background in mobile internet market stated in "Reasons for and the benefits of the Continuing Connected Transactions" in this Letter, it is reasonable for the Company to revise the annual caps in 2018 in order to provide a more comprehensive mobile trading services to customers; and
- (iii) The finance department of the Group is responsible for monitoring the actual transaction amounts or service fees relating to the services under the Information Technology Services Agreement provided by Banclogix based on invoices received from Banclogix, the budget prepared by Banclogix after arm's length negotiations and the Revised Aggregate Annual Caps. In addition, the independent non-executive Directors will review the Continuing Connected Transactions and the auditor of the Company will also conduct an annual review on the relevant pricing terms and annual caps thereof. Further, under the Second Supplemental Agreement, Banclogix additionally undertakes to the Company not to provide services to the Company and its subsidiaries on terms which are less favourable than those offered by the independent third parties.

Based on the above, we are of the view that the proposed Revised Aggregate Annual Caps contemplated under the Information Technology Services Agreement as amended by the Second Supplemental Agreement are determined by the Company after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Taking into consideration of the above principal factors and reasons, we are of the view that the terms for the Continuing Connected Transactions under the Information Technology Services Agreement as amended by the Second Supplemental Agreement are on normal commercial terms or on terms no less favourable than those available from independent third parties on the same or similar services and that the Continuing Connected Transactions (together with the Revised Aggregate Annual Caps) are conducted in the ordinary and usual course of business of the Group and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Octal Capital Limited
Alan Fung **Wong Wai Leung**
Managing Director *Executive Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance with the Takeovers Code of listed companies in Hong Kong. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Wong has more than 15 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Takeovers Code.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the directors in the Shares, underlying Shares and debentures of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Interests in Shares of the Company:

Name of directors	Capacity	Number of Shares/ underlying Shares held		Total	Approximate % of the number of issued Shares
		Shares	Options (Note 1)		
Mr. LIU Stefan (Chief Executive Officer)	Beneficial owner	9,520,000	16,300,000	25,820,000	1.27%
Mr. NG Chee Hung Frederick (resigned on 17 November 2017)	Beneficial owner	845,000	3,850,000	4,695,000	0.23%
Mr. LI Zhi Da (Note 2)	Interest in controlled corporation	300,000,000	–	300,000,000	14.75%
Mr. Stephen Gregory McCOY	Beneficial owner	–	2,000,000	2,000,000	0.10%
Ms. ZHAO Guixin	Beneficial owner	200,000	600,000	800,000	0.04%

Name of directors	Capacity	Number of Shares/ underlying Shares held		Total	Approximate % of the number of issued Shares
		Shares	Options (Note 1)		

Mr. Cornelis Jacobus KEYSER	Beneficial owner	–	600,000	600,000	0.03%
Mr. LIN Wenhui	Beneficial owner	200,000	600,000	800,000	0.04%

Note 1: Those Options were granted on 19 August 2015 and 29 December 2016 under the Company's share option scheme.

Note 2: Mr. LI, a non-executive Director of the Company, is interested in 300,000,000 shares through his holdings in KVB Holdings. As Mr. LI is entitled to control over one-third of the voting power at general meeting of KVB Holdings, he is deemed under the SFO to be interested in the entire 300,000,000 shares held by KVB Holdings.

(b) Interests and short positions of the substantial shareholders in the Shares, underlying Shares and debentures of the Company

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than the directors or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital:

Name of Substantial Shareholders	Capacity	Number of Shares/ underlying Shares held		Total	Approximate % of the number of issued Shares
		Shares	Derivative interests		
CITIC Securities Overseas Investment Company Limited	Beneficial owner	1,200,310,001	–	1,200,310,001	59.03%
CITIC Securities Company Limited (Note 1)	Interests in controlled corporation	1,200,310,001	–	1,200,310,001	59.03%
KVB Holdings	Beneficial owner	300,000,000	–	300,000,000	14.75%

Name of Substantial Shareholders	Capacity	Number of Shares/ underlying Shares held		Total	Approximate % of the number of issued Shares
		Shares	Derivative interests		
Mr. LI Zhi Da (<i>Note 2</i>)	Interests in controlled corporation	300,000,000	–	300,000,000	14.75%
Calypso (International) Investment Co., Limited (<i>Note 3</i>)	Beneficial owner	106,525,000	–	106,525,000	5.24%
HNA Group (International) Company Limited 海航集團(國際)有限公司 (<i>Note 3</i>)	Interests in controlled corporation	106,525,000	–	106,525,000	5.24%
HNA Group Co., Ltd. 海航集團有限公司 (<i>Note 3</i>)	Interests in controlled corporation	106,525,000	–	106,525,000	5.24%
Hainan Traffic Administration Holding Co., Ltd. 海南交管控股 有限公司 (<i>Note 3</i>)	Interests in controlled corporation	106,525,000	–	106,525,000	5.24%
Shengtang Development (Yangpu) Co., Ltd. 盛唐發展(洋浦) 有限公司 (<i>Note 3</i>)	Interests in controlled corporation	106,525,000	–	106,525,000	5.24%
Hainan Province Cihang Foundation 海南省慈航公益 基金會 (<i>Note 3</i>)	Interests in controlled corporation	106,525,000	–	106,525,000	5.24%

Note 1: As CITIC Securities Company Limited is entitled to control over one-third of the voting power at general meetings of CITIC Securities Overseas Investment Company Limited, CITIC Securities Company Limited is deemed under the SFO to be interested in the entire 1,200,310,001 Shares held by CITIC Securities Overseas Investment Limited.

Note 2: Mr. LI, a non-executive Director of the Company, is entitled to control over one-third of the voting power at general meetings of KVB Holdings. He is deemed under the SFO to be interested in the entire 300,000,000 Shares held by KVB Holdings.

Note 3: Calypso International Investment Co., Limited is a wholly owned subsidiary of HNA Group (International) Company Limited (海航集團(國際)有限公司) (formerly known as HNA Group International Headquarter (Hong Kong) Co., Limited (海航集團國際總部(香港)有限公司)), which is in turn owned as to 91.09% by HNA Group Co., Ltd. (海航集團有限公司). HNA Group Co., Ltd. is held as to 30% by Yangpu Jianyun Investment Co., Ltd. (洋浦建運投資有限公司) and 70% by Hainan Traffic Administration Holding Co., Ltd. (海南交管控股有限公司). Hainan Traffic Administration Holding Co., Ltd. is in turn held as to 50% by Shengtang Development (Yangpu) Co., Ltd. (盛唐發展(洋浦)有限公司). Shengtang Development (Yangpu) Co., Ltd. is held as to 65% by Hainan Province Cihang Foundation (海南省慈航公益基金會).

3. INTERESTS OF DIRECTORS, CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE CLOSE ASSOCIATES IN COMPETING BUSINESS

As at the Latest Practicable Date, the Directors and the controlling Shareholders are not aware that any of them or any of their close associates had interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

4. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

As at the Latest Practicable Date, KVB Holdings, held as to 75% by Mr. Li, solely owns Banclogix. Mr. Li is also a non-executive Director of the Company, of which KVB Holdings is a substantial shareholder. Therefore, Mr. Li is interested in a number of subsisting contract arrangements between the Company and the wholly owned subsidiaries of KVB Holdings. The particulars of such contract arrangements are set out below:

Information Technology Services Agreement as amended by the Second Supplemental Agreement and the Software Licence Agreement

On 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 customization of the software. Thereafter, the Company and Banclogix entered into the Information Technology Services Agreement dated 19 April 2016 for a term from 19 April 2016 to 31 December 2018, under which Banclogix will provide software development and maintenance services, information technology infrastructure project management services and information technology infrastructure maintenance services to the Group. The Information Technology Services Agreement is subsequently amended by the First Supplemental Agreement on 12 August 2016 to amend certain terms of the Information Technology Services Agreement.

The Existing Aggregate Annual Caps for the years ending 31 December 2016, 31 December 2017 and 31 December 2018, are HK\$28,500,000, HK\$26,000,000 and HK\$24,500,000 respectively.

On 12 February 2018, the Company and Banclogix entered into the Second Supplemental Agreement to the Information Technology Services Agreement, the effectiveness of which is conditional upon the Company having obtained all relevant approvals required under the Listing Rules, being obtaining the approval of its Independent Shareholders at a general meeting on or before 30 April 2018 (or such other date agreed by the parties). The Revised Aggregate Annual Caps for the years ending 31 December 2016, 31 December 2017 and 31 December 2018 are HK\$28,500,000, HK\$26,000,000 and HK\$37,500,000 respectively.

Renewed Cash Dealing Agreement

The Company and KVB GC, a wholly owned subsidiary of KVB Holdings, entered into a cash dealing agreement dated 17 June 2016 for a term from 1 July 2016 to 31 December 2018, under which the Company shall provide, or procure its subsidiaries to provide, to KVB GC and its subsidiaries cash dealing services including the provision of the exchange of currencies and KVB GC shall provide, or procure its subsidiaries to provide, to the Company and its subsidiaries foreign exchange conversion and settlement services. The annual caps for the years ending 31 December 2016, 31 December 2017 and 31 December 2018 are HK\$20,000,000 (as aggregated with the previous cash dealing agreement dated 18 December 2015), HK\$20,000,000 and HK\$20,000,000 respectively.

Renewed Office Licence Agreement

The Company and KVB Holdings entered into an office licence agreement dated 18 December 2015 for a term from 1 January 2016 to 31 December 2018 (as amended by the supplemental office licence agreement between the Company and KVB Holdings dated 1 December 2017) under which the Company shall provide and 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. The annual caps for the years ending 31 December 2016, 31 December 2017 and 31 December 2018 are HK\$4,000,000, HK\$4,500,000 and HK\$5,000,000 respectively.

Save as disclosed herein, none of the Directors had (i) any direct or indirect interests in any assets which have been since 31 December 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) any material interest in any contract or arrangement at the Latest Practicable Date which is significant in relation to the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

The Company has entered into service agreements with the following Directors for a fixed term of more than 12 months irrespective of notice period (in which case, the appointment shall be subject to the provision of retirement by rotation in the memorandum of articles of association of the Company), details of which are also set out below. Save for disclosed below, as at the Latest Practicable Date, none of the Directors of the Company had any service contracts with the Company or any of its subsidiaries or associated companies (a) which were continuous contracts with a notice period of 12 months or more; or (b) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

Name of Director	Entity which the service contracts are entered into	Date of the contract	Commencement date and expiry date of the contract	Amount of fixed remuneration payable under the contract (excluding arrangements for pension payments)	Amount of any variable remuneration payable and other benefits under the contract
Mr. LIU Stefan	The Company	3 July 2016	From 3 July 2016 to 2 July 2019	HK\$240,000 per annum	Discretionary year-end bonus as determined by the Board
Mr. NG Chee Hung Frederick (resigned on 17 November 2017)	The Company	3 July 2016	From 3 July 2016 to 2 July 2019	HK\$20,000 per month	Discretionary year-end bonus as determined by the Board
Mr. LI Zhi Da	The Company	3 July 2016	From 3 July 2016 to 2 July 2019	HK\$120,000 per annum	–
Mr. Stephen Gregory McCOY	The Company	3 July 2016	From 3 July 2016 to 2 July 2019	HK\$120,000 per annum	–
Ms. ZHAO Guixin	The Company	15 April 2017	From 15 April 2017 to 14 April 2020	HK\$240,000 per annum	–
Mr. Cornelis Jacobus KEYSER	The Company	15 April 2017	From 15 April 2017 to 14 April 2020	HK\$240,000 per annum	–
Mr. LIN Wenhui	The Company	16 July 2017	From 16 July 2017 to 15 July 2020	HK\$240,000 per annum	–

As at the Latest Practicable Date, none of the Directors had entered into any service contract or had an unexpired service contract with any member of the Group which is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited financial statements were made up.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice for inclusion in this circular:

Name	Qualification
Octal Capital Limited	a corporation licensed to carry out Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activity under the SFO

Octal Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter of advice or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Octal Capital Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Octal Capital Limited has no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Group since 31 December 2016 (the date to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be acquired, disposed of or leased to.

8. GENERAL

- (a) The Company's registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The company secretary of the Company is Mr. Wong Yiu Kit Ernest. Mr. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, United Kingdom, and an associate member of the Institute of Chartered Accountants in England and Wales. Mr. Wong is also a charter-holder of Chartered Financial Analyst, United States of America, and a member of Hong Kong Securities Institute.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (d) The English texts of this circular and the accompanying proxy form shall prevail over the Chinese versions.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Suites 7501 & 7508, 75/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, from the date of this circular up to and including the date of the EGM:

- (a) the Information Technology Services Agreement;
- (b) the Membership Agreement;
- (c) the First Supplemental Agreement;
- (d) the Second Supplemental Agreement;
- (e) the Software Licence Agreement;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 17 to 18 of this circular;
- (g) the letter from the Independent Financial Adviser, the text of which is set out on pages 19 to 30 of this circular;
- (h) the letter of consent from Octal Capital Limited referred to in the paragraph headed "Expert and Consent" in this Appendix;
- (i) service contracts of the Directors;
- (j) the renewed cash dealing agreement dated 17 June 2016; and
- (k) the renewed office licence agreement dated 18 December 2015.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of KVB Kunlun Financial Group Limited (the “**Company**”, together with its subsidiaries the “**Group**”) will be held at Suites 7501 & 7508, 75/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, on Tuesday, 27 March 2018 at 10:30 a.m. (the “**EGM**”) to consider, and if thought fit, pass, the following resolutions (with or without modification):

ORDINARY RESOLUTIONS

“THAT:

1. the second supplemental agreement dated 12 February 2018 (a copy of which is tabled at the EGM marked “**A**” and initialled by the Chairman of the meeting for identification purpose) to the information technology services agreement dated 19 April 2016 (a copy of which is tabled at the EGM marked “**B**” and initialled by the Chairman of the meeting for identification purpose) as amended by the first supplemental agreement on 12 August 2016 (a copy of which is tabled at the EGM marked “**C**” and initialled by the Chairman of the meeting for identification purpose) entered into between the Company and Banclogix System Co., Limited in relation to the provision of certain information technology services by Banclogix System Co., Limited to the Group and the transactions thereunder be and are hereby approved, confirmed and ratified;
2. the Revised Aggregate Annual Caps (as defined in the circular of the Company dated 9 March 2018) as contemplated under the Second Supplemental Agreement be and are hereby approved, confirmed and ratified; and
3. the execution of the Second Supplemental Agreement by any director of the Company be and is hereby approved, ratified and confirmed and any director of the Company be and is hereby authorised to sign, execute, perfect and deliver all such documents and, where necessary, to affix the common seal of the Company on any such document as and when necessary and do all such acts, matters and things as he may in his discretion consider necessary or desirable for the purposes of or in connection with the implementation of the Second Supplemental Agreement and the transactions completed thereunder.”

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

Hong Kong, 9 March 2018

NOTICE OF EGM

Registered office:

Cricket Square, Hutchins Drive,
P.O. Box 2681,
Grand Cayman,
KY1-1111,
Cayman Islands

***Principal place of business
in Hong Kong:***

Suites 7501 & 7508, 75/F
International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Notes:

- (a) A form of proxy for use at the EGM is enclosed herewith.
- (b) Any member of the Company entitled to attend and vote at the meeting may appoint one or more than one proxy to attend and to vote on his behalf. A proxy need not be a member of the Company.
- (c) Where there are joint holders of any share any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
- (d) To be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof must be delivered to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- (e) Whether or not you propose to attend the meeting in person, you are strongly urged to complete and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the form of proxy will not preclude you from attending the meeting and voting in person if you so wish. In the event that you attend the meeting after having lodged the form of proxy, it will be deemed to have been revoked.
- (f) The register of members of the Company will be closed from Friday, 23 March 2018 to Tuesday, 27 March 2018, both days inclusive, during the period no transfers of shares of the Company will be registered. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration by no later than 4:00 p.m. on Thursday, 22 March 2018.
- (g) In compliance with the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited, all resolutions to be proposed at the meeting convened by this notice will be voted on by way of poll.

NOTICE OF EGM

As at the date of this notice, the Board comprises the following Directors:

Executive Director:

Mr. LIU Stefan (*Chief Executive Officer*)

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