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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)

ANNOUNCEMENT BUSINESS UPDATES

Reference is made to the Group's interim results announcement (the "**Interim Results**") and the interim report (the "**Interim Report**") for the six months ended 30 June 2019 published on 15 August 2019 and 21 August 2019, respectively. As disclosed in the Interim Results and the Interim Report, during the first six months of 2019, the total income of KVB Kunlun Financial Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") has dropped to approximately HK\$12.5 million for the first six months of 2019, compared to HK\$306.2 million for the first six months of 2018 (i.e. a decrease of approximately 95.9%).

The board of directors of the Company (the "**Board**") would like to provide an update to the shareholders and potential investors of the Company on the latest business and operation of the Group following the publication of the Interim Results and the Interim Report.

DISENGAGEMENT OF PRC DOMESTIC CLIENTS AND EXPANSION OF CLIENT BASE

Reference is made to the announcement published by the Company on 31 May 2019 in connection with the proposed identification and disengagement of the People's Republic of China (the "**PRC**") domestic clients in respect of the online forex margin trading services provided by the Group's Australia and New Zealand subsidiaries (the "**Identification and Disengagement**").

Reference is also made to the announcement published by the Company on 17 July 2019 in which it was stated that regulatory authorities in different countries, including Australia and Hong Kong, had tightened the regulations on leveraged foreign exchange trading (the “**Tightened Regulatory Requirements**”).

The Company sought legal advice from its lawyers as to the relevant laws of the PRC in relation to the Tightened Regulatory Requirements. As at 27 May 2019:

- No notices of penalty were identified as having been issued against the Group’s companies by any regulatory agencies in the PRC; and
- There was no law in the PRC that expressly prohibits a PRC resident investor from engaging in offshore investment activities.

In line with the advice from the Company’s legal advisers on the PRC laws, and in light of the heightened regulatory expectations of the PRC regulators, the Company took a conservative approach and deemed clients who were unable to provide overseas residential address proof as actual or potential PRC domestic clients and disengaged these clients.

The Board confirms that the Identification and Disengagement have been completed, as a result of which approximately 95% of clients of the Group have been identified as actual or potential PRC domestic clients and been disengaged.

As a result of the Disengagement, the Company will focus on:

- Maintaining its current existing client base; and
- Expanding its client base. In particular, the Company is looking to diversify its client base to include both overseas Chinese speaking and non-Chinese speaking client in Australia and New Zealand. The Company also intends to explore opportunities to provide competitive solutions to institutional clients.

More specifically, to facilitate the Company’s business plan, the Company is in the process of carrying out the following steps: –

- The Group will bring in experienced staff with relevant experience and knowledge to join the Group to strengthen current marketing and business development personnel of the Group to assist in implementing the Group’s proposed business plan. The Group is in the process of meeting potential candidates to actively recruit personnel with relevant experience in the leveraged FX business.

- The Group will carry out a variety of marketing activities with respect to existing and new clients, including preparation of marketing materials as part of the brand rebuilding, holding a series of seminars with local associations and to introduce the new brand of the Company, launching digital marketing campaign and sponsoring events to enable the Company to gain more exposure in Australia and New Zealand.
- The Company will rebrand its corporate image to better utilize and capitalize on the business know-how and potential synergies with the CLSA group and its affiliates. The Company is of the view that a new corporate image would be advantageous in attracting potential clients in a bid to increase its market positioning and increase competitive advantage.
- As part of its re-branding exercise, the Company is also in the process of finalising designs of new websites for the Group. The new websites will reflect the new name, new brand and new logo of the Group. The Group will upgrade its information technology systems, including the rolling out of a mobile forex trading application to make it more convenient for existing and future clients to trade forex products with the Group's companies, and to increase the Group's competitiveness.

REGULATORY LICENSES

The Board wishes to update the shareholders and potential investors of the Company that all financial services regulatory licenses held by the licensed entities in Hong Kong, Australia and New Zealand remain in full force and effect.

In particular, the Group's Hong Kong licensed entity has recently recruited and hired two new responsible officers, whose appointment has already been approved by the Securities and Futures Commission in Hong Kong. In addition to the above, the Group is also recruiting suitable candidates to expand its talent pool in all of its licensed entities in Hong Kong, New Zealand and Australia.

By order of the Board
KVB Kunlun Financial Group Limited
Yuan Feng
Executive Director

Hong Kong, 26 November 2019

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

Executive directors

Mr. Yuan Feng (*Deputy Chief Executive Officer*)

Mr. Wu Fei

Non-executive directors

Mr. Li Jiong (*Chairman*)

Mr. Stephen Gregory McCoy

Mr. Xu Jianqiang

Independent non-executive directors

Mr. Wu Jianfeng

Mr. Christopher Wesley Satterfield

Ms. Hu Zhaoxia

Mr. Jin Shaoliang