
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: 8077)**

**CONTINUING CONNECTED TRANSACTIONS –
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**

The logo for Octal Capital Limited, featuring the Chinese characters '八方' in red and gold, followed by the text '金融有限公司' and 'OCTAL Capital Limited' in a sans-serif font.

八方 金融有限公司
OCTAL Capital Limited

A letter from the Board is set out on pages 4 to 14 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 15 to 16 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 17 to 27 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 Monday, 26 September 2016 at 10:00 a.m. is set out on pages 37 to 39 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.

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the date of its publication and the website of the Company at www.kvblastco.com.

2 September 2016

CHARACTERISTICS OF GEM

GEM has been positioned as a market designated to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 GEM 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 GEM;
“connected person(s)”	has the meaning ascribed thereto under the GEM 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 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;
“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;

DEFINITIONS

“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 Supplemental Agreement and the Revised Aggregate Annual Caps;
“Independent Financial Adviser”	Octal Capital Limited, a licensed corporation permitted to carry on Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 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 Supplemental Agreement and the Revised Aggregate Annual Caps under the GEM 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”	珠海橫琴昆侖新金融交易中心有限公司 (Zhuhai Hengqin Kunlun Financial Exchange Limited), a company incorporated in the People’s Republic of China with limited liability and is an indirect wholly-owned subsidiary of the Company;
“Latest Practicable Date”	31 August 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;

DEFINITIONS

“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 Supplemental Agreement and under the Software Licence 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;
“substantial shareholder(s)”	substantial shareholders defined under rule 1.01 of the GEM Listing Rules;
“Supplemental Agreement”	the conditional 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;
“TPME”	天津貴金屬交易所有限公司 (Tianjin Precious Metals Exchange Limited), a company incorporated in the People’s Republic of China and a 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: 8077)

Executive Directors

Mr. Liu Stefan (*Chief Executive Officer*)

Mr. Ng Chee Hung Frederick

Non-executive Directors

Mr. Li Zhi Da (*Chairman*)

Mr. Stephen Gregory McCoy

Independent Non-executive Directors

Ms. Zhao Guixin

Mr. Cornelis Jacobus Keyser

Mr. Lin Wenhui

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

2 September 2016

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS –
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) 2 June 2016 in relation to the entering into of the Membership Agreement between KVB ZHHQ and TPME; and (iv) 12 August 2016 in relation to entering into of the 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 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 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 Supplemental Agreement and the proposed Revised Aggregate Annual Caps; (v) the notice of the EGM; and (vi) other information as required under the GEM Listing Rules.

BACKGROUND OF THE 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 customisation 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.

Pursuant to Rule 20.79 of the GEM 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 GEM Listing Rules. For details of the Existing Aggregate Annual Caps, please refer to the section headed “The Revised Aggregate Annual Caps” below.

On 2 June 2016, KVB ZHHQ, an indirect wholly-owned subsidiary of the Company, and TPME, a company incorporated in the People’s Republic of China and a recognised precious metals exchange under the Tianjin Municipal People’s Government, entered into the Membership Agreement, pursuant to which TPME has agreed to provide KVB ZHHQ with a spot trading and settlement platform for precious metals and relevant consultancy, training, coordination and management services.

In addition, the Company intends to enhance its digital marketing strategies by way of digital transformation, including but not limited to strategy review and website revamp.

In light of the Membership Agreement and the Company’s intended enhancement of its digital marketing strategies, the Board expects additional services under the Information Technology Services Agreement to be required by the Group from Banclogix. Thus, the Existing Aggregate Annual Caps need to be increased and revised.

LETTER FROM THE BOARD

SUPPLEMENTAL AGREEMENT TO THE INFORMATION TECHNOLOGY SERVICES AGREEMENT

On 12 August 2016 (after trading hours), the Company and Banclogix entered into the Supplemental Agreement to the Information Technology Services Agreement. The Supplemental Agreement is conditional upon the approval of Independent Shareholders at the EGM.

In light of the development of the business of the Group during the recent months, including but not limited to (i) the transactions contemplated under the Membership Agreement and (ii) the Company's intended enhancement of its digital marketing strategies, 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 plan of the Group. As such, the Company proposes amending the Information Technology Services Agreement and revising the Existing Aggregate Annual Caps.

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

Date:	12 August 2016
Parties:	(i) the Company; and (ii) Banclogix
Additional Services:	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 with TPME; and (ii) the intended enhancement of the Company's digital marketing strategies.
Additional Undertaking:	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 independent third parties.
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.

LETTER FROM THE BOARD

Clarification of IT Infrastructure
Maintenance Fee:

An annual fixed fee in the sum of (i) IT service desk charges at HK\$1,200,000 per annum and (ii) fees payable for the infrastructure maintenance services which comprise IT governance and infrastructure support, estimated to consume 60 and 300 man-days respectively on a yearly basis, at a man-day rate of HK\$5,000 per day – benchmarked against external vendors – will be charged and will be reviewed on a yearly basis.

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

CONDITIONS PRECEDENT TO THE SUPPLEMENTAL AGREEMENT

The effectiveness of the Supplemental Agreement is conditional upon the Company having obtained all relevant approvals required under the GEM Listing Rules, being obtaining the approval of its Independent Shareholders at a general meeting, on or before 31 October 2016 (or such other date agreed by the parties).

If the Company has not obtained its Independent Shareholders' approval on or before 31 October 2016 (or such other date agreed by the parties), the 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 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.

LETTER FROM THE BOARD

Information Technology Services Agreement as amended by the Supplemental Agreement

Software development services

Pursuant to the Information Technology Services Agreement as amended by the Supplemental Agreement, Banclogix provides certain software development services to the Group. The pricing in respect of such software development services was determined with regard to the same pricing policy as that of the Software Licence Agreement as set out above under the paragraph headed “Software Licence Agreement”. In order to determine the fairness and reasonableness of the fees charged, the Company considered those factors considered under the pricing policy for the Software Licence Agreement.

Software maintenance services

The Information Technology Services Agreement as amended by the Supplemental Agreement provides that Banclogix shall provide software maintenance services at an annual rate of 15% of the fees agreed in each signed SOW for each completion of software development for the Group. 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, to ensure the fairness and reasonableness of the agreed annual rate.

Information technology infrastructure project management services

Pursuant to the Information Technology Services Agreement as amended by the Supplemental Agreement, Banclogix provides information technology infrastructure project management services at a fixed rate of 15% of the fee agreed in each signed SOW between the Group and external vendors. When determining the fairness and reasonableness of the percentage of the above-mentioned annual rate, the Company considered a number of factors including (1) a 15% discount on the fee quote as provided by an external vendor for the same information technology infrastructure project coordinated by a prime project manager; and (2) a fixed rate of 15% of the fees agreed in the signed SOW between the Group and external vendors is agreed to be paid to Banclogix for its provision of the information technology infrastructure project management services. As a further safeguard, under the Supplemental Agreement Banclogix 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.

Information technology infrastructure maintenance services

When determining the fairness and reasonableness of the IT service desk charges at HK\$1,200,000 per annum, the Group obtained a fee quote from an independent third party for the non-full day IT service desk services. Given the difference between such fee quote and Banclogix’s IT service desk charges is within 10% and given Banclogix’s role as the information technology infrastructure project manager of the Group, the Group considered the fee as fair and reasonable.

LETTER FROM THE BOARD

To ensure the fairness and reasonableness of the daily charging rate of HK\$5,000 by each information technology specialist for IT governance and infrastructure support, the Company, during the arm's length negotiation with Banclogix, made reference to the daily charging rates of information technology specialists for software development services provided to the Company by the independent third parties in the market. Further, under the Supplemental Agreement, Banclogix 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.

THE REVISED AGGREGATE ANNUAL CAPS

Upon the Supplemental Agreement becoming effective, the Existing Aggregate Annual Cap(s) under the Information Technology Services Agreement will be revised and the Revised Aggregate Annual Cap(s) are as follows:

	Year ending 31 December 2016 (HK\$)	Year ending 31 December 2017 (HK\$)	Year ending 31 December 2018 (HK\$)
Transactions	Annual cap	Actual amounts	Annual cap
Software Licence Agreement	3,500,000	3,500,000	0
Information Technology Services Agreement	16,500,000	11,330,000	19,000,000
Existing Aggregate Annual Caps	<u>20,000,000</u>	14,830,000	<u>19,000,000</u>
			<u>20,000,000</u>
% of utilisation		74%	
Additional information technology services contemplated under the Supplemental Agreement	8,500,000		7,000,000
			4,500,000
Revised Aggregate Annual Caps	<u>28,500,000</u>	14,830,000	<u>26,000,000</u>
			<u>24,500,000</u>
% of utilisation		52%	

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 and the project summary and budget provided by the management with reference to the growing trading volume in the forex market and the business expansion of the Group;

LETTER FROM THE BOARD

- (b) the projected increase in the demand of information technology infrastructure project management and maintenance services of the Group for (i) the system integration and infrastructure setup as required by those transactions contemplated under the Membership Agreement and (ii) the enhancement of the Company's digital market strategies;
- (c) the increasing need of the Group to continuously develop and improve the software application to support the Group's core businesses for (i) the software development and constant maintenance and upgrade as required by those transactions contemplated under the Membership Agreement and (ii) the enhancement of the Company's digital market strategies; and
- (d) the projected increase in the demand of software development and maintenance services and information technology infrastructure project management and maintenance services of the Group with respect to (i) the transactions contemplated under the Membership Agreement entered into between KVB ZHHQ and TPME; and (ii) the intended enhancement of the Company's digital marketing strategies.

When determining the Revised Aggregate Annual Caps, the Company has also based their determination on the principal assumption that, during the term of the Information Technology Services Agreement as amended by the 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 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 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;

LETTER FROM THE BOARD

- (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 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 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
 - (iii) in accordance with the terms of the Software Licence Agreement and the Information Technology Services Agreement as amended by the 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 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 20 of the GEM 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 SUPPLEMENTAL AGREEMENT AND REVISION OF RELEVANT ANNUAL CAPS

The services provided under the Information Technology Services Agreement as amended by the 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.

In light of the transactions contemplated under the Membership Agreement with TPME and the Company's intended enhancement of its digital marketing strategies, the Group will require additional information technology infrastructure as contemplated under the Information Technology Services Agreement and accordingly the Supplemental Agreement will allow the Group to improve/implement relevant information technology infrastructure to benefit from the Membership Agreement and its digital marketing strategies.

LETTER FROM THE BOARD

The abovementioned continuing connected transaction as contemplated under the Information Technology Services Agreement as amended by the 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 15 to 16 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 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 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 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.

GEM 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 20 of the GEM Listing Rules. Accordingly, the transactions contemplated under the Information Technology Services Agreement as amended by the Supplemental Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Pursuant to Rule 20.79 of the GEM Listing Rules, the transactions contemplated under the Information Technology Services Agreement as amended by the 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.

LETTER FROM THE BOARD

As one or more of the applicable percentage ratio(s) (as defined in Rule 19.07 of the GEM Listing Rules) exceeds 5%, 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 20 of the GEM Listing Rules. KVB Holdings and its associates are required to abstain from voting on the resolution at the EGM for approving the Supplemental Agreement and the Revised Aggregate Annual Caps. Saved as mentioned above, 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.

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 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 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 Supplemental Agreement and the transactions contemplated thereunder, and they are required to abstain, and did abstain, from voting on the Board meeting approving the 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 Supplemental Agreement, the Company will re-comply with the announcement and the Independent Shareholder's approval requirements under chapter 20 of the GEM listing rules accordingly.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 15 to 16 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 17 to 27 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.

LETTER FROM THE BOARD

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 Monday, 26 September 2016 at 10:00 a.m. A notice to convene the EGM is set out on pages 37 to 39 of this circular.

At the EGM, ordinary resolutions will be proposed to approve (i) the entering into of the 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.

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 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 September 2016 to Monday, 26 September 2016 (both days inclusive), during which period no transfer of Shares will be registered. Shareholders whose names appear on the register of the Shareholders of the Company on Thursday, 22 September 2016 will be entitled to attend and vote at the EGM.

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: 8077)

2 September 2016

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 2 September 2016 (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 Supplemental Agreement to the Information Technology Services 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 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 Supplemental Agreement and the advice of the Independent Financial Adviser, namely Octal Capital Limited, in relation hereto as set out on pages 17 to 27 of the Circular, we are of the opinion that the Supplemental Agreement to the Information Technology Service 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 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 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 ADVISOR

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.



八方金融有限公司
802-805, 8/F, Nan Fung Tower,
88 Connaught Road Central,
Hong Kong

*To the Independent Board Committee
and Independent Shareholders*

2 September 2016

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 (i) the entering into of the Supplemental Agreement and (ii) 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 2 September 2016, 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. Further, on 19 April 2016, the Company entered into the Information Technology Services Agreement with Banclogix pursuant to which Banclogix agreed to provide the Group with software development and maintenance services and information technology infrastructure project management and maintenance services (collectively, the “**IT Services**”). Taking into account the Software License Agreement and the Information Technology Services Agreement, the Existing Aggregate Annual Caps are HK\$20,000,000, HK\$19,000,000 and HK\$20,000,000 for the three years ending 31 December 2016, 2017 and 2018 respectively.

On 12 August 2016, the Board announced that the Company had entered into the Supplemental Agreement such that the original annual caps under the Information Technology Services Agreement have been revised. The Revised Aggregate Annual Caps are HK\$28,500,000, HK\$26,000,000 and HK\$24,500,000 for the three years ending 31 December 2016, 2017 and 2018 respectively.

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 20 of the GEM Listing Rules. Accordingly, the transactions contemplated under the Information Technology Services Agreement as amended by the Supplemental Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Pursuant to Rule 20.79 of the GEM Listing Rules, the transactions contemplated under the Information Technology Services Agreement as amended by the Supplemental Agreement are required to be aggregated with the transactions under the Software Licence Agreement (which are also continuing connected transactions 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 19.07 of the GEM Listing Rules) exceeds 5%, such transactions 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 20 of the GEM Listing Rules.

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.

Octal Capital is independent from, and not connected with the Company, the Directors, the 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. 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.

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 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 or 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 or affairs of the Group and their respective associates, nor have we carried out any independent verification of the information supplied to us.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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 Supplemental Agreement and the Revised Aggregate Annual Caps, 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.

Background of the entering into of the Supplemental Agreement and the Revised Aggregated Annual Caps

Reference is made to the interim report of the Company for the six months ended 30 June 2016. Trading conditions were favorable as the overall market volatility was relatively high throughout the first six months in 2016. The total income of the Group increased by approximately 22.6% to approximately HK\$189.6 million for the six months ended 30 June 2016 from approximately HK\$154.7 million for the six months ended 30 June 2015, which is mainly attributable to higher leveraged forex trading volume and market volatility. However, having considered that the retail margin forex trading market is highly competitive, the Company committed to improve its services to meet the needs of clients, and provide them with more trading opportunities in the global financial markets.

On 2 June 2016, KVB ZHHQ, an indirect wholly-owned subsidiary of the Company, and TPME, a company incorporated in the People's Republic of China and a recognised precious metals exchange under the Tianjin Municipal People's Government, entered into the Membership Agreement, pursuant to which TPME has agreed to provide KVB ZHHQ with a spot trading and settlement platform for precious metals and relevant consultancy, training, coordination and management services. With reference to the interim report of the Company for the six months ended 30 June 2016, the Directors consider that in line of the Group's development schedule, KVB ZHHQ will take the necessary action to broaden the Group's customer base and enhance its trading volume and profit in precious metals.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Reasons for and analysis on the benefits of the entering into of the Supplemental Agreement

Pursuant to the Information Technology Services Agreement as amended by the Supplemental Agreement, Banclogix agreed to provide the Group with IT Services, for a term commencing from 19 April 2016 and ending 31 December 2018.

(a) Continuous reliable support to the Group's existing business

Forex trading is performed over-the-counter among institutional banks, market makers and other financial institutions rather than through an organised exchange and therefore no common trading infrastructure is required. The operation of the Group's core business is highly dependent on the capability and reliability of the trading system, in particular the online trading platform, ForexStar. Unlike traditional trading platforms which heavily rely on manpower, ForexStar, which is available in both online and mobile interfaces, enables the clients' access to the leveraged trading markets from virtually anywhere around the world in an efficient and cost-effective manner. Banclogix has been engaged in the provision of IT Services to the Group, particularly for the development and maintenance of the ForexStar system and infrastructure, since 2014. The intellectual property rights of certain core ForexStar system modules in client order management, dealing management and core trade execution are owned by Banclogix. As stated in the Letter, the entering into of the Supplemental Agreement to revise the Existing Aggregate Annual Caps is attributable to the estimated demand and the projected increase in the demand of the above-mentioned information technology services provided by Banclogix and the relevant price which also takes into account (i) the transactions contemplated under the Membership Agreement; and (ii) the intended enhancement of the Company's digital marketing strategies.

(b) Growth and expansion in business of the Group

The IT Services provided by Banclogix support the development and operation of the ForexStar and other relevant software and information technology infrastructure of the Group which have been the key factors of the Group's past and continued success. The growing total trading volume and high market volatility lead to a continuing growth in the total income of the six months ended 30 June 2016 in comparison to the figure of the six months ended 30 June 2015 from HK\$154.7 million to HK\$189.6 million, representing an increase of approximately 22.6%. Apart from its existing business in the forex trading, the Directors, as stated in the announcement of the Company dated 2 June 2016, consider that the spot trading business in precious metals as contemplated under the Membership Agreement with TPME will strengthen the Group's exposure in the PRC market, broaden its customer base and enhance its trading volume and profit. In order to ensure the growth and expansion of the Group, the Company intends to enhance its digital marketing strategies by way of digital transformation, including but not limited to strategy review and website revamp. After reviewing the recent project summary and budget of the Group and further to the discussion with the management, we consider that the Group will require additional IT Services as contemplated under the Information Technology Services Agreement and accordingly the Supplemental Agreement will allow the Group to improve/implement relevant information technology software and infrastructure to benefit from the Membership Agreement and its enhancement of digital marketing strategies.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

In light of the above, the Company proposed to amend the Information Technology Services Agreement by entering into the Supplemental Agreement to amend certain terms of the Information Technology Services Agreement and to revise the Existing Aggregate Annual Caps.

Principal terms of the Supplemental Agreement

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

Additional Services:	IT Services to the Group in order to facilitate (i) the transactions under the Membership Agreement with TPME; and (ii) the intended enhancement of the Company's digital marketing strategies.
Additional Undertaking:	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.
Revised Aggregate Annual Cap:	For details of the revision to the Existing Aggregate Annual Caps please refer to the section headed "The Revised Aggregate Annual Caps" as stated in the Letter.
Clarification of Information Technology Infrastructure Maintenance Fee:	An annual fixed fee in the sum of (i) IT service desk charges at HK\$1,200,000 per annum and (ii) fees payable for the infrastructure maintenance services which comprise of IT governance and infrastructure support, estimated to consume 60 and 300 man-days respectively on a yearly basis, at a man-day rate of HK\$5,000 per day – benchmarked with external vendors – will be charged and will be reviewed on a yearly basis.

Pricing Policies

(a) *Software Licence Agreement*

The service charge payable by the Company for the transactions contemplated under the Software Licence Agreement is concluded in a relevant SOW agreed between the Company and Banclogix after arm's length negotiation with reference to the projected billable man-days of the information technology specialists spent on the product at their respective daily charging rates. The SOW details the services scope, project schedule and fees of the underlying information technology project. With reference to the pricing policies as stated in the Letter and based on our review of quotations offered by the independent third parties, we concur with the management that the existing daily charging rates for different levels of the information technology specialists offered by Banclogix are below/within the range of those offered by the independent third parties in the same or similar software development transaction, being from approximately HK\$4,680 to approximately HK\$15,600 for different levels of the information technology specialists from

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

programmer to project manager. To assess the fairness and reasonableness of the pricing policy of the transactions contemplated under the Software Licence Agreement, we have reviewed quotations offered by three independent third parties in comparison to the quotation offered by Banclogix and the terms of the Software Licence Agreement, particularly relating to the services scope, projected billable man-days and charging rates and found that the service charge offered by Banclogix is no less favourable than those offered by the independent third parties.

(b) *Information Technology Services Agreement as amended by the Supplemental Agreement*

(i) Software development services

The software development services provided by Banclogix to the Group under the Information Technology Services Agreement as amended by the Supplemental Agreement are in accordance with the same pricing policy as that of the Software Licence Agreement. To ensure the fairness and reasonableness of the price agreed in the relevant SOWs, the Company considered the same pricing factors as that of the Software Licence Agreement. Based on our review of quotations offered by the independent third parties, we concur with the management that the existing daily charging rates for different levels of the information technology specialists offered by Banclogix are below/within the range of those offered by the independent third parties in the same or similar software development transaction, being from approximately HK\$4,680 to approximately HK\$15,600 for different levels of the information technology specialists from programmer to project manager. To assess the fairness and reasonableness of the pricing policy of the software development services contemplated under the Information Technology Services Agreement as amended by the Supplemental Agreement, we have reviewed quotations offered by three independent third parties in comparison to the quotation offered by Banclogix and the terms of Information Technology Services Agreement as amended by the Supplemental Agreement, particularly relating to the services scope, projected billable man-days and charging rates and found that the service charge offered by Banclogix is no less favourable than those offered by the independent third parties.

(ii) Software maintenance services

Pursuant to the Information Technology Services Agreement as amended by the Supplemental Agreement, Banclogix also provides software maintenance services at an annual rate of 15% of the fees agreed in each signed SOW between the Group and Banclogix for each completion of the software development for the Group. To ensure the fairness and reasonableness of the above-mentioned annual rate, 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 the software for the Group which is in the range from approximately 20% to approximately 22%; 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. To assess the fairness and reasonableness of the pricing policy of the software maintenance services contemplated under the Information Technology Services Agreement as amended by the Supplemental Agreement, we have reviewed quotations

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offered by two independent third parties in comparison to the quotation offered by Banclogix and the terms of Information Technology Services Agreement as amended by the Supplemental Agreement, particularly relating to the services scope and the above-mentioned annual rate and found that the service charge offered by Banclogix is no less favourable than those offered by the independent third parties.

(iii) Information technology infrastructure project management services

Since Banclogix has been providing IT Services to the Group since 2014 and possesses the intellectual property rights of certain core ForexStar system modules in client order management, dealing management and core trade execution, it performs the function as a prime project manager for the information technology infrastructure projects. Pursuant to the Information Technology Services Agreement, Banclogix provides the information technology infrastructure project management service at a fixed rate of 15% of the fee agreed in each signed SOW between the Group and external vendors. To ensure the fairness and reasonableness of the percentage of the above-mentioned fixed rate, the Company considered a number of factors including (1) 15% discount on the fee quote as provided by an external vendor for the same information technology infrastructure project coordinated by a prime project manager; and (2) a fixed rate of 15% of the fees agreed in the signed SOW between the Group and external vendors is agreed to be paid to Banclogix for its provision of the information technology infrastructure project management services. In addition, Banclogix, under the Supplemental Agreement, 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. In light of the above, we consider that 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".

(iv) Information technology infrastructure maintenance services

Pursuant to the Information Technology Services Agreement as amended by the Supplemental Agreement, Banclogix provides the information technology infrastructure maintenance service for an annual fixed fee in the sum of (i) IT service desk charges at HK\$1,200,000 per annum and (ii) fees payable for the infrastructure maintenance services which comprise of IT governance and infrastructure support, estimated to consume 60 and 300 man-days respectively on a yearly basis, at a man-day rate of HK\$5,000 per day. To ensure the fairness and reasonableness of the fixed fee of HK\$1,200,000 per annum for the IT service desk, the Company obtained a fee quote at HK\$1,104,000 per annum from an independent third party for the non-full day IT service desk services. Having considered (i) Banclogix' role as the information technology infrastructure project manager of the Group which had managed the Group's previous information technology infrastructure setup projects; (ii) knowledgeable infrastructure services providers for the 24 hours x 7 days per week for the forex trading platform being rare in the market; and (iii) Banclogix being able to provide the 24 hours x 7 days per week of IT service desk services pursuant to the Information Technology Services Agreement, the Company considered that the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

approximately 10% premium over the fee quote from the independent third party is justifiable. Based on our review on the information technology policies of the Company, we concur with the management that we understand the IT governance and infrastructure support, being peripheral services of the above mentioned IT service desk services, is specifically customised to the Group's information technology policies for risk management purpose. To ensure the fairness and reasonableness of the daily charging rate of HK\$5,000 by each information technology specialist for IT governance and infrastructure support, the Company, during the arm's length negotiations with Banclogix, has made reference to the price of the software development services provided to the Company by three independent third parties in the market with the daily charging rate from approximately HK\$4,680 to approximately HK\$15,600 for different levels of the information technology specialists from programmer to project manager. In addition, Banclogix, under the Supplemental Agreement, 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. In light of the above, 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 transaction under the GEM Listing Rules for the financial year ended 31 December 2015, the recent budgeting plan provided by Banclogix and discussion with the management, we note that the finance department of the Group is responsible for monitoring the actual transaction amounts or service fees relating to the IT Services provided by Banclogix through comparing invoices received from Banclogix against the yearly 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 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.

Having taken into account (i) the pricing mechanism as stated above in relation to the Continuing Connected Transactions; (ii) the nature of the transactions contemplated under the Software Licence Agreement and the Information Technology Services Agreement as amended by the Supplemental Agreement; (iii) Banclogix being a long-term information technology services provider of the Group since 2014 and accordingly having owned intellectual property rights of certain core ForexStar system modules in client order management, dealing management and core trade execution; (iv) the specially customised information technology infrastructure maintenance services based on the information technology policies of the Group provided by Banclogix for risk management purpose; (v) 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 (vi) 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 Software Licence Agreement and the Information Technology Services Agreement as amended by the Supplemental Agreement and the terms thereunder are on normal commercial terms or on terms no less favourable than those available from

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independent third parties on the same or similar services, and are fair and reasonable as far as the Independent Shareholders are concerns.

THE REVISED AGGREGATE ANNUAL CAPS

As shown in the table set out in the section headed “The Revised Aggregate Annual Caps” in the Letter, 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 as at the Latest Practicable Date under the Software Licence Agreement and the Information Technology Services Agreement for the year ending 31 December 2016 is HK\$14.83 million, representing utilisation rates of 74% of the Existing Aggregate Annual Caps and 52% of the Revised 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 IT Services to be received and their relevant prices and the project summary and yearly budget provided by the management with reference to the growing trading volume in the forex market and the business expansion of the Group;
- (b) the projected increase in the demand of information technology infrastructure project management and maintenance services of the Group for (i) the system integration and infrastructure setup as required by those transactions contemplated under the Membership Agreement and (ii) the enhancement of the Company’s digital market strategies;
- (c) the increasing need of the Group to continuously develop and improve the software application to support the Group’s core businesses for (i) the software development and constant maintenance and upgrade as required by those transactions contemplated under the Membership Agreement and (ii) the enhancement of the Company’s digital market strategies; and
- (d) the projected increase in the demand of IT Services of the Group with respect to (i) the transactions contemplated under the Membership Agreement entered into between KVB ZHHQ and TPME; and (ii) the intended enhancement of the Company’s digital marketing strategies.

When determining the Revised Aggregate Annual Caps, the Company has also based their determination on the principal assumption that, during the term of the Information Technology Services Agreement as amended by the 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.

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

- (i) The continuous growth in revenue of the Group is mainly attributable to the growing forex trading volume and high market volatility. We have reviewed the interim report of the Company for the six months ended 30 June 2016 and noted that the total income of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Group increased by approximately 22.6% to approximately HK\$189.6 million for the six months ended 30 June 2016 from approximately HK\$154.7 million for the six months ended 30 June 2015. We consider that additional IT Services contemplated under the Supplemental Agreement are key factors to provide continuous support to the Group's growing trading volume and the expansion to the spot trading business in precious metals;

- (ii) As advised by the management and based on our review of the relevant service proposal provided by Banclogix, we noted that the spot trading business in precious metals under the Membership Agreement with TPME requires system integration between the TPME exchange platform and the trading platform of the Group, being ForexStar. Having considered the fact that Banclogix currently possesses the intellectual property rights of certain core ForexStar system modules in client order management, dealing management and core trade execution and it has been providing reliable information technology support to the Group since 2014, we consider that the IT Services provided by Banclogix are essential for the rollout of the Group's spot trading business in precious metals and accordingly the digital marketing strategies to enhance its trading volume and profit in precious metals. Therefore, we concur with the management that it is necessary for the Company to take into account (i) the transactions contemplated under the Membership Agreement entered into between KVB ZHHQ and TPME; and (ii) the intended enhancement of the Company's digital marketing strategies in determining the proposed Revised Aggregate Annual Caps;
- (iii) The recent project summary and budget provided by the management details the Group's estimated demand for the IT Services with a view to support growing trading volume and business expansion, enhance customer experience and improve risk management of the Group. We noted that the management intends to initiate additional major software development and infrastructure setup projects with Banclogix in 2016 and 2017 with additional budgeted capital expenditure of HK\$8.5 million and HK\$7 million respectively, specifically for the Membership Agreement with TPME and the enhancement of digital marketing strategies. In this regard, the revised annual caps of 2016 and 2017 are comparatively higher than that of 2018. Taking into account the current utilization rate of 74% of the Existing Aggregate Annual Cap for 2016 and the discussion with the management in relation to the current status of the information technology projects, we consider that the information technology projects between the Group and Banclogix are in line with the recent project summary and budget of the Group; and
- (iv) The finance department of the Group is responsible for monitoring the actual transaction amounts or service fees relating to the IT Services 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. As a further safeguard, under the 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 and shall provide written confirmation in this regard to the finance department of the Group bi-annually.

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Based on the above, we are of the view that the proposed Revised Aggregate Annual Caps contemplated under the Software Licence Agreement and the Information Technology Services Agreement as amended by the 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 Software Licence Agreement and the Information Technology Services Agreement as amended by the 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.

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 22 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 GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this 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

Save as disclosed below, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company, or their associates, had any interest or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which were (i) 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 and short positions which he is taken or deemed to have under such provisions of SFO); or (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange:

Interests in Shares of the Company:

Name of directors	Capacity	Number of Shares/ underlying Shares held Shares Options (Note 1)		Total	Approximate % of the number of issued Shares
Mr. Liu Stefan (Chief Executive Officer)	Beneficial owner	9,520,000	8,300,000	17,820,000	0.88%
Mr. Ng Chee Hung Frederick	Beneficial owner	845,000	2,000,000	2,845,000	0.14%
Mr. Li Zhi Da (Note 2)	Interest in controlled corporation	300,000,000	–	300,000,000	14.75%
Mr. Stephen Gregory McCoy	Beneficial owner	–	1,000,000	1,000,000	0.05%
Ms. Zhao Guixin	Beneficial owner	200,000	300,000	500,000	0.02%

Name of directors	Capacity	Number of Shares/ underlying Shares held		Total	Approximate % of the number of issued Shares
		Shares	Options		
Mr. Cornelis Jacobus Keyser	Beneficial owner	–	300,000	300,000	0.01%
Mr. Lin Wenhui	Beneficial owner	200,000	300,000	500,000	0.02%

Note 1: Those Options were granted on 19 August 2015 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 (<i>Notes 1 & 2</i>)	Interests in controlled corporation	1,200,310,001	–	1,500,310,001	73.78%
	Other	–	300,000,000		
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 (Note 3)	Interests in controlled corporation	300,000,000	–	300,000,000	14.75%
Calypso (International) Investment Co., Limited (Note 4)	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 (Note 4)	Interests in controlled corporation	106,525,000	–	106,525,000	5.24%
HNA Group Co., Ltd. 海航集團有限公司 (Note 4)	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 (Note 4)	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 (Note 4)	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 (Note 4)	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: On 29 January 2015, CITIC Securities Company Limited and KVB Holdings entered into a share purchase agreement, pursuant to which KVB Holdings conferred to CITIC Securities Company Limited a right of first refusal on 300,000,000 Shares of the Company. CITIC Securities Company Limited is thus deemed to be interested in those 300,000,000 Shares of the Company under the SFO.

Note 3: 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 4: 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 GEM 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 Supplemental Agreement and the Software Licence Agreement

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. 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 customisation of the software.

The Existing Aggregate Annual Caps for the years ending 31 December 2016, 31 December 2017 and 31 December 2018, are HK\$20,000,000, HK\$19,000,000 and HK\$20,000,000 respectively.

On 12 August 2016, the Company and Banclogix entered into the 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 GEM Listing Rules, being obtaining the approval of its Independent Shareholders at a general meeting on or before 31 October 2016 (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\$24,500,000 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, 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 2015 (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\$20,000 per month	Discretionary year-end bonus as determined by the Board
Mr. Ng Chee Hung Frederick	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 2014 (as amended by a supplemental contract dated 7 March 2016)	From 15 April 2014 to 14 April 2017	HK\$240,000 per annum	–

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. Cornelis Jacobus Keyser	The Company	15 April 2014 (as amended by a supplemental contract dated 7 March 2016)	From 15 April 2014 to 14 April 2017	HK\$240,000 per annum	–
Mr. Lin Wenhui	The Company	16 July 2014 (as amended by a supplemental contract dated 7 March 2016)	From 16 July 2014 to 15 July 2017	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 12 May 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 2015 (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 Agreement;
- (b) the Membership Agreement;
- (c) the Supplemental Agreement;
- (d) the Software Licence Agreement;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 15 to 16 of this circular;

- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 17 to 27 of this circular;
- (g) the letter of consent from Octal Capital Limited referred to in the paragraph headed “Expert and Consent” in this Appendix;
- (h) service contracts of the Directors;
- (i) the renewed cash dealing agreement dated 17 June 2016; and
- (j) 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: 8077)

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 Monday, 26 September 2016 at 10:00 a.m. (the “**EGM**”) to consider, and if thought fit, pass, the following resolutions (with or without modification):–

ORDINARY RESOLUTIONS

“THAT:

- (i) the supplemental agreement dated 12 August 2016 (a copy of which is tabled at the EGM marked “**A**” and initialed 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 initialed by the Chairman of the meeting for identification purpose) entered into between the Company and Banclogix System Co., Limited (“**Banclogix**”) in relation to the provision of certain information technology services by Banclogix to the Group (the “**Supplemental Agreement**”) and the transactions thereunder be and are hereby approved, confirmed and ratified;
- (ii) the Revised Aggregate Annual Caps (as defined in the circular of the Company dated 2 September 2016) as contemplated under the Supplemental Agreement be and are hereby approved, confirmed and ratified; and
- (iii) the execution of the 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 Supplemental Agreement and the transactions completed thereunder.”

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

Hong Kong, 2 September 2016

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 September 2016 to Monday, 26 September 2016, 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 September 2016.
- (g) In compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market 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 Directors:

Mr. Liu Stefan (*Chief Executive Officer*)

Mr. Ng Chee Hung Frederick

Non-executive Directors:

Mr. Li Zhi Da (*Chairman*)

Mr. Stephen Gregory McCoy

Independent Non-executive Directors:

Ms. Zhao Guixin

Mr. Cornelis Jacobus Keyser

Mr. Lin Wenhui

This notice will remain on the “Latest Company Announcements” page of the website of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited at www.hkgem.com and the website of the Company at www.kvblastco.com for at least seven days from the date of its publication.