
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in KVB Kunlun Financial Group Limited, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance to the purchaser or to the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser.

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

This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the contents of which form part of the terms and conditions of the Offers.



CITIC Securities Company Limited
中信証券股份有限公司
*(a joint stock limited company incorporated
in the People's Republic of China with limited liability)*
(Stock Code: 6030)

**CITIC Securities Overseas
Investment Company Limited**
(incorporated in Hong Kong with limited liability)



KVB Kunlun

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)

**COMPOSITE DOCUMENT RELATING TO
UNCONDITIONAL MANDATORY CASH OFFERS BY
CITIC SECURITIES CORPORATE FINANCE (HK) LIMITED
FOR AND ON BEHALF OF THE OFFEROR TO
ACQUIRE ALL THE ISSUED SHARES OF KVB KUNLUN
(OTHER THAN THOSE SHARES ALREADY OWNED OR
AGREED TO BE ACQUIRED BY THE OFFEROR AND
PARTIES ACTING IN CONCERT WITH IT AND
THE NON-ACCEPTANCE SHARES)
AND TO CANCEL ALL THE OUTSTANDING OPTIONS
OF KVB KUNLUN**

Financial adviser to the Offeror



**Independent financial adviser to the independent board committee of KVB Kunlun,
the Independent KVB Shareholders and the KVB Option Holders**



Octal Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from CITIC Securities Corporate Finance (HK) Limited containing, among other things, the detailed terms of the Offers are set out on pages 7 to 17 of this Composite Document. A letter from the board of KVB Kunlun is set out on pages 18 to 26 of this Composite Document. A letter from the independent board committee of KVB Kunlun containing their advice to the Independent KVB Shareholders and the KVB Option Holders is set out on pages 27 to 28 of this Composite Document. A letter from the Independent Financial Adviser containing its opinion on the Offers and its recommendation to the independent board committee of KVB Kunlun, the Independent KVB Shareholders and the KVB Option Holders is set out on pages 29 to 51 of this Composite Document.

The further terms and procedures for acceptance and settlement of the Offers and other related information are set out in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance. Acceptances of the Share Offer and the Option Offer should be received by the Registrar and the company secretary of KVB Kunlun respectively by no later than 4:00 p.m. on Friday, 26 June 2015 or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the requirements of the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the Form(s) of Acceptance to any jurisdiction outside Hong Kong, should read the details in this regard which are contained in the paragraph headed "Overseas KVB Shareholders and Overseas KVB Option Holders" in the "Letter from CITIC Securities Corporate Finance (HK) Limited" of this Composite Document before taking any action. It is the responsibility of each Overseas KVB Shareholder and/or the Overseas KVB Option Holder wishing to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Overseas KVB Shareholders and Overseas KVB Option Holders are advised to seek professional advice on deciding whether or not to accept the Offers.

This Composite Document will remain on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and KVB Kunlun (<http://www.kvblistco.com>) as long as the Offers remains open.

5 June 2015

CONTENTS

	<i>Page</i>
EXPECTED TIMETABLE	ii
DEFINITIONS	1
LETTER FROM CITIC SECURITIES CORPORATE FINANCE (HK) LIMITED	7
LETTER FROM THE BOARD OF KVB KUNLUN	18
LETTER FROM THE INDEPENDENT BOARD COMMITTEE OF KVB KUNLUN	27
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	29
APPENDIX I – FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFERS	52
APPENDIX II – FINANCIAL INFORMATION OF KVB KUNLUN GROUP	61
APPENDIX III – GENERAL INFORMATION	99
ACCOMPANYING DOCUMENT – FORM(S) OF ACCEPTANCE	

EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate. Unless otherwise specified, all times and dates refer to Hong Kong local time and dates.

2015

Despatch date of this Composite Document and
the Form(s) of Acceptance and
the commencement date of the Offers (*Note 1*) Friday, 5 June

Latest time and date for acceptance of
the Offers (*Notes 2 and 4*) 4:00 p.m. on Friday, 26 June

Closing Date (*Notes 2 and 4*) Friday, 26 June

Announcement of the results of the Offers
as at the Closing Date to be posted on
the website of the Stock Exchange (*Note 2*) By 7:00 p.m. on Friday, 26 June

Latest date for posting of remittances in respect of
valid acceptances received under the Offers (*Notes 3 and 4*) Wednesday, 8 July

Notes:

- (1) The Offers, which are unconditional in all respects, are made on the date of posting of this Composite Document, and is capable of acceptance on and from Friday, 5 June 2015 until the Closing Date. Acceptances of the Offers shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed “Right of Withdrawal” in Appendix I to this Composite Document.
- (2) In accordance with the Takeovers Code, the Offers must initially be opened for acceptance for at least 21 days following the date on which this Composite Document was posted. The latest time and date for acceptance of the Offers is 4:00 p.m. on Friday, 26 June 2015. An announcement will be issued through the website of the Stock Exchange by 7:00 p.m. on Friday, 26 June 2015 stating whether the Offers have been extended, revised or expired. In the event that the Offeror decides to extend the Offers and the announcement does not specify the next closing date, at least 14 days’ notice by way of an announcement will be given before the Offers are closed to those Independent KVB Shareholders and KVB Option Holders who have not accepted the Offers.
- (3) Remittances in respect of the cash consideration payable for the Offer Shares (after deducting the seller’s ad valorem stamp duty in respect of acceptances of the Share Offer) and the KVB Options under the Offers will be despatched to the accepting KVB Shareholders and KVB Option Holders by ordinary post at their own risk as soon as possible but in any event within seven (7) business days after the date of receipt of all the relevant documents of title to render the acceptance by such KVB Shareholders and KVB Option Holders respectively under the Offers complete and valid.

EXPECTED TIMETABLE

- (4) If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:
- (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance under the Offers and the latest date for posting of remittances in respect of valid acceptances received under the Offers, the latest time for acceptance of the Offers and the posting of remittances will remain at 4:00 p.m. on the same business day;
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offers and the latest date for posting of remittances in respect of valid acceptances under the Offers, the latest time for acceptance of the Offers and the posting of remittances will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

All references to date and time contained in this Composite Document and the Form(s) of Acceptance refer to Hong Kong date and time.

DEFINITIONS

In this Composite Document, the following expressions have the following meanings unless the context requires otherwise:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associates”	has the meaning ascribed to it under the Takeovers Code
“business day”	means a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“CITIC Securities”	CITIC Securities Company Limited (中信証券股份有限公司), a joint stock limited company incorporated in the PRC and the issued shares of which are listed on Main Board of the Stock Exchange (stock code: 6030) and the Shanghai Stock Exchange (stock code: 600030:CH) and a party to the Share Purchase Agreement
“CITIC Securities Corporate Finance (HK) Limited”	CITIC Securities Corporate Finance (HK) Limited, a licensed corporation to carry out business in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the financial adviser to the Offeror
“Closing Date”	26 June 2015, the closing date of the Offers, which is 21 days after the date on which this Composite Document is posted, or if the Offers are extended, any subsequent closing date of the Offers as extended and announced by the Offeror in accordance with the Takeovers Code
“Completion”	completion of the sale and purchase of the Sale Shares contemplated under the Share Purchase Agreement
“Composite Document”	this composite offer and response document together with (i) the WHITE Form of Share Offer Acceptance and (ii) the YELLOW Form of Option Offer Acceptance jointly issued by the Offeror and KVB Kunlun in accordance with the Takeovers Code containing, amongst other things, the detailed terms of the Offers

DEFINITIONS

“Consideration”	consideration payable by CITIC Securities as purchaser for the sale and purchase of the Sale Shares under the Share Purchase Agreement, being HK\$780,000,000
“controlling shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Form(s) of Acceptance”	collectively, the Form of Share Offer Acceptance and the Form of Option Offer Acceptance, and “Form of Acceptance” shall mean each and any one of them
“Form of Option Offer Acceptance”	the YELLOW form of acceptance and cancellation of the KVB Options and in respect of the Option Offer accompanying this Composite Document
“Form of Share Offer Acceptance”	the WHITE form of acceptance and transfer of the Offer Shares and in respect of the Share Offer accompanying this Composite Document
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser”	Octal Capital Limited, a licensed corporation under the SFO authorised to carry out regulated activities of Type 1 (dealing in securities) and Type 6 (advising on corporate finance), being appointed as the independent financial adviser to advise the independent board committee of KVB Kunlun, the Independent KVB Shareholders and the KVB Option Holders in respect of the terms of the Offers
“Independent KVB Shareholder(s)”	holder(s) of the KVB Shares, other than the Offeror, the Vendor and parties acting in concert with any of them
“Initial Announcement”	the announcement made by KVB Kunlun on 11 November 2014 in respect of the possible acquisition of KVB Shares

DEFINITIONS

“Joint Announcement”	the announcement jointly published by CITIC Securities and KVB Kunlun dated 26 February 2015, in relation to, among other things, the sale and purchase of the Sale Shares and the Offers
“KVB Kunlun”	KVB Kunlun Financial Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM (stock code: 8077)
“KVB Kunlun Group”	KVB Kunlun and its subsidiaries
“KVB Options”	the outstanding options (no matter vested or unvested) granted by KVB Kunlun pursuant to the share option scheme adopted by KVB Kunlun on 3 June 2013, as amended from time to time
“KVB Option Holder(s)”	holder(s) of the KVB Option(s)
“KVB Share(s)”	share(s) of nominal value of HK\$0.01 each in the share capital of KVB Kunlun
“KVB Shareholder(s)”	holder(s) of the KVB Shares
“Last Trading Day”	29 January 2015, the last trading date before the trading in the KVB Shares on the Stock Exchange was suspended pending the release of the Joint Announcement
“Latest Practicable Date”	2 June 2015, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“LOI”	the letter of intent in relation to the possible acquisition of the Sale Shares entered into between the Vendor and CITIC Securities on 19 November 2014 and referred to in the announcement of KVB Kunlun dated 20 November 2014
“Non-acceptance Shares”	the 300,000,000 KVB Shares held by the Vendor and its associates immediately after the Completion which are not subject to the Share Offer pursuant to the Non-acceptance Undertaking

DEFINITIONS

“Non-acceptance Undertaking”	the irrevocable undertaking given by the Vendor pursuant to the Share Purchase Agreement, further details of which are set out in the sub-section headed “Non-acceptance Undertaking” under the section headed “The Offers” in the “Letter from CITIC Securities Corporate Finance (HK) Limited” set out in this Composite Document
“Offer Period”	the period commencing from 11 November 2014, being the date of the Initial Announcement, to the Closing Date, or such other date(s) to which the Offeror may decide to extend or revise the Offers in accordance with the Takeovers Code
“Offer Share(s)”	all the KVB Share(s) in issue, other than those KVB Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it and the Non-acceptance Shares
“Offeror”	CITIC Securities Overseas Investment Company Limited, a company incorporated in Hong Kong with limited liability wholly-owned by CITIC Securities and a controlling shareholder of KVB Kunlun directly holding approximately 59.37% of the total issued share capital of KVB Kunlun as at the Latest Practicable Date
“Offers”	the Share Offer and the Option Offer
“Option Offer”	an unconditional mandatory cash offer made by CITIC Securities Corporate Finance (HK) Limited for and on behalf of the Offeror for the cancellation of all outstanding KVB Options held by the KVB Option Holders in accordance with the Takeovers Code
“Option Offer Price”	HK\$0.236 per outstanding KVB Option payable by the Offeror in respect of the Option Offer
“Overseas KVB Option Holder(s)”	KVB Option Holder(s) whose address(es) as stated in the register of KVB Option Holders of KVB Kunlun is or are outside Hong Kong
“Overseas KVB Shareholder(s)”	KVB Shareholder(s) whose address(es) as stated in the register of members of KVB Kunlun is or are outside Hong Kong

DEFINITIONS

“PRC”	the People’s Republic of China and for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Registrar”	Union Registrars Limited, the Hong Kong branch share registrar and transfer office of KVB Kunlun
“Relevant Period”	the period commencing on 11 May 2014, being the date falling six months before the date of the Initial Announcement up to and including the Latest Practicable Date
“Sale Shares”	1,200,000,000 KVB Shares, representing approximately 59.37% of the entire issued share capital of KVB Kunlun as at the Latest Practicable Date, acquired by the Offeror from the Vendor pursuant to the Share Purchase Agreement, and each a Sale Share
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Offer”	an unconditional mandatory cash offer made by CITIC Securities Corporate Finance (HK) Limited for and on behalf of the Offeror for the acquisition of all the Offer Shares in accordance with the Takeovers Code
“Share Offer Price”	HK\$0.65 per Offer Share payable by the Offeror in respect of the Share Offer
“Share Purchase Agreement”	the conditional share purchase agreement dated 29 January 2015 entered into between the Vendor and CITIC Securities in relation to the sale and purchase of the Sale Shares, the details of which are set out in the Joint Announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC
“Vendor”	KVB Kunlun Holdings Limited, a company incorporated in the British Virgin Islands with limited liability

DEFINITIONS

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent.



5 June 2015

*To the Independent KVB Shareholders
and KVB Option Holders,*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS BY
CITIC SECURITIES CORPORATE FINANCE (HK) LIMITED
FOR AND ON BEHALF OF THE OFFEROR TO
ACQUIRE ALL THE ISSUED SHARES OF KVB KUNLUN
(OTHER THAN THOSE SHARES ALREADY OWNED OR
AGREED TO BE ACQUIRED BY THE OFFEROR AND
PARTIES ACTING IN CONCERT WITH IT AND
THE NON-ACCEPTANCE SHARES)
AND TO CANCEL ALL THE OUTSTANDING OPTIONS
OF KVB KUNLUN**

INTRODUCTION

KVB Kunlun and CITIC Securities jointly announced on 26 February 2015, among other things, that on 29 January 2015, the Vendor and CITIC Securities entered into the Share Purchase Agreement pursuant to which CITIC Securities conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares, being 1,200,000,000 KVB Shares, for a total Consideration of HK\$780,000,000, equivalent to HK\$0.65 per Sale Share. The Sale Shares represent approximately 59.37% of the entire issued share capital of KVB Kunlun as at the Latest Practicable Date.

As disclosed in the announcement jointly issued by KVB Kunlun and CITIC Securities dated 29 May 2015 in relation to the Completion, in accordance with the Share Purchase Agreement, CITIC Securities has nominated the Offeror, a wholly-owned subsidiary of CITIC Securities, to purchase from the Vendor the full legal and beneficial ownership of the Sale Shares and the Completion took place on 29 May 2015 upon fulfilment of all the conditions precedent set out in the Share Purchase Agreement.

Immediately after the Completion, the Offeror directly held approximately 59.37% of the total issued share capital of KVB Kunlun, and accordingly, the Offeror is required to make unconditional mandatory general cash offers for all the issued KVB Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it and the Non-acceptance Shares (i.e. 300,000,000 KVB Shares) held by the Vendor upon Completion, in respect of which the Non-acceptance Undertaking had been given by the

LETTER FROM CITIC SECURITIES CORPORATE FINANCE (HK) LIMITED

Vendor in favour of CITIC Securities pursuant to the Share Purchase Agreement) and for the cancellation of all the outstanding KVB Options (no matter vested or unvested) under Rules 26.1 and 13.5 of the Takeovers Code. CITIC Securities Corporate Finance (HK) Limited is making the Offers for and on behalf of the Offeror.

As at the Latest Practicable Date, KVB Kunlun had 2,021,320,000 KVB Shares in issue and outstanding KVB Options to subscribe for up to 16,910,000 KVB Shares, of which 12,940,000 KVB Options are vested and exercisable at the exercise price of HK\$0.414 per KVB Share during the exercise period from 10 January 2015 to 9 January 2018.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Offers, the Offeror and its intention regarding KVB Kunlun Group. Further terms and the procedures for acceptances of the Offers are set out in Appendix I to this Composite Document and the Form(s) of Acceptance.

THE OFFERS

Principal terms of the Offers

CITIC Securities Corporate Finance (HK) Limited, for and on behalf of the Offeror and in compliance with the Takeovers Code, hereby makes the Offers to (i) acquire all the Offer Shares; and (ii) cancel all the outstanding KVB Options on the following basis:

The Share Offer

For each Offer ShareHK\$0.65 in cash

The Share Offer is not conditional upon any minimum level of acceptances of the Share Offer and is unconditional. The Share Offer will close on Friday, 26 June 2015.

Immediately after the Completion, KVB Kunlun has 2,021,320,000 KVB Shares in issue and the Offeror and parties acting in concert with it own a total of 1,200,000,000 KVB Shares. Pursuant to the Non-acceptance Undertaking, 521,320,000 KVB Shares will be subject to the Share Offer and the total consideration of the Share Offer will be HK\$338,858,000 based on the Share Offer Price. For details of the Non-acceptance Undertaking, please refer to the sub-section headed “Non-acceptance Undertaking” below.

In the event that the Share Offer is accepted in full, the maximum amount payable by the Offeror under the Share Offer will be (i) HK\$338,858,000 (assuming no KVB Option is exercised and without taking into account the Non-acceptance Shares and the number of KVB Shares subject to the Share Offer is 521,320,000 KVB Shares); or (ii) HK\$347,269,000 (assuming all of the 12,940,000 outstanding vested KVB Options are exercised in full and without taking into account the Non-acceptance Share and the number of KVB Shares subject to the Share Offer is 534,260,000 KVB Shares).

LETTER FROM CITIC SECURITIES CORPORATE FINANCE (HK) LIMITED

The Share Offer Price of HK\$0.65 for each Offer Share under the Share Offer is the same as the purchase price per Sale Share of HK\$0.65 at which the Sale Shares were acquired by the Offeror pursuant to the Share Purchase Agreement.

Based on the Share Offer Price of HK\$0.65 per Offer Share and 2,021,320,000 KVB Shares in issue as at the Latest Practicable Date, the entire issued share capital of KVB Kunlun is valued at HK\$1,313,858,000.

The Share Offer will extend to all KVB Shares in issue on the date on which the Share Offer is made (excluding the Non-acceptance Shares), being the date of the posting of this Composite Document, and to any further KVB Shares which are unconditionally allotted and issued on the exercise of the KVB Options, other than those KVB Shares held by the Offeror and persons acting in concert with it and the Non-acceptance Shares.

Comparison of value

The Share Offer Price of HK\$0.65 per KVB Share represents:

- (i) a premium of approximately 41.30% over the closing price of HK\$0.46 per KVB Share as quoted on the Stock Exchange on 10 November 2014, being the last full business day prior to the commencement of the Offer Period;
- (ii) a discount of approximately 52.55% to the closing price of HK\$1.37 per KVB Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 53.64% to the average closing price of HK\$1.402 per KVB Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 47.33% to the average closing price of HK\$1.234 per KVB Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 38.27% to the average closing price of approximately HK\$1.053 per KVB Share as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 61.76% to the closing price of approximately HK\$1.70 per the KVB Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vii) a premium of approximately 231.63% over the consolidated net asset value of KVB Kunlun per KVB Share of approximately HK\$0.196 per KVB Share (based on the number of issued KVB Shares as at 31 December 2014) as at 31 December 2014 as set out in the latest annual report of KVB Kunlun.

Highest and lowest KVB Share prices

The highest and lowest closing prices of the KVB Shares as quoted on the Stock Exchange during the six-month period immediately preceding the Offer Period and up to and including the Latest Practicable Date from 11 May 2014 to 2 June 2015 were HK\$1.90 per KVB Share on 14 April 2015 and HK\$0.38 per KVB Share on 12 September 2014, respectively.

The Option Offer

The Option Offer for

cancellation of each outstanding KVB Option

(all with exercise price of HK\$0.414).HK\$0.236

As at the Latest Practicable Date, KVB Kunlun had 2,021,320,000 KVB Shares in issue and outstanding KVB Options to subscribe for up to 16,910,000 KVB Shares, of which 12,940,000 KVB Options are vested and exercisable at the exercise price of HK\$0.414 per KVB Share during the exercise period from 10 January 2015 to 9 January 2018. If all the 12,940,000 outstanding vested KVB Options are exercised in full, KVB Kunlun will have to issue 12,940,000 new KVB Shares, representing approximately 0.64% of the issued share capital of KVB Kunlun as at the Latest Practicable Date as enlarged by the allotment and issue of the aforementioned new KVB Shares.

Based on the Option Offer Price of HK\$0.236 per outstanding KVB Option and the corresponding number of outstanding KVB Options (no matter vested or unvested), the maximum amount payable by the Offeror under the Option Offer (assuming no KVB Options are exercised prior to the Closing Date of the Offers and the Option Offer is accepted in full) is HK\$3,990,760.

The Option Offer Price of HK\$0.236 per outstanding KVB Option, represents the difference between the exercise price of HK\$0.414 of the outstanding KVB Options and the Share Offer Price of HK\$0.65, pursuant to Rule 13 of the Takeovers Code and Practice Note 6 of the Takeovers Code.

The Option Offer will extend to all outstanding KVB Options (no matter vested or unvested) in issue on the date on which the Option Offer is made, being the date of the posting of the Composite Document, other than those KVB Options held by the Offeror and parties acting in concert with it. As at the Latest Practicable Date, CITIC Securities, the Offeror and parties acting in concert with any of them do not hold any KVB Options.

As at the Latest Practicable Date, save for the outstanding KVB Options as mentioned above, KVB Kunlun has no outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of KVB Shares.

LETTER FROM CITIC SECURITIES CORPORATE FINANCE (HK) LIMITED

Total value of the Offers

On the basis of the Share Offer Price of HK\$0.65 per KVB Share and 2,021,320,000 KVB Shares in issue as at the Latest Practicable Date, the entire issued share capital of KVB Kunlun is valued at HK\$1,313,858,000 (assuming none of the 12,940,000 outstanding vested KVB Options are exercised prior to the close of the Offers) or HK\$1,322,269,000 (assuming all of the 12,940,000 outstanding KVB Options are exercised in full prior to the close of the Offers).

Assuming that none of the 12,940,000 outstanding vested KVB Options is exercised prior to the close of the Offers and there is no change in the issued share capital of KVB Kunlun up to the close of the Offers, 521,320,000 KVB Shares and 16,910,000 KVB Options would be subject to the Share Offer and the Option Offer, respectively, and the Offers would be valued at HK\$342,848,760 in aggregate.

In the event that all of the 12,940,000 outstanding vested KVB Options are exercised in full and an aggregate of 12,940,000 new KVB Shares are issued by KVB Kunlun prior to the close of the Offers, assuming that there is no other change in the issued share capital of KVB Kunlun up to the close of the Offers, the total number of KVB Shares subject to the Share Offer would be increased to 534,260,000 KVB Shares and there would be 3,970,000 outstanding unvested KVB Options and the maximum aggregated value of the Share Offer and the Option Offer would be increased to HK\$348,205,920 as a result thereof.

Non-acceptance Undertaking

After the Completion and as at the Latest Practicable Date, the Vendor is beneficially interested in 300,000,000 KVB Shares, representing approximately 14.84% of the total issued share capital of KVB Kunlun.

Pursuant to the Share Purchase Agreement, the Vendor has irrevocably and unconditionally undertaken with CITIC Securities that it shall not (and shall procure their associates not to) accept the Offers in connection with all the Non-acceptance Shares (i.e. 300,000,000 KVB Shares) held by any of them or their associates at any time from the date of the Share Purchase Agreement until the close of the Offers.

Save and except for the above mentioned Non-acceptance Undertaking, neither CITIC Securities nor the Offeror has received any indication or irrevocable commitment from any KVB Shareholder or KVB Option Holder that he/she/it will accept or reject the Offers as at the Latest Practicable Date.

Financial resources

CITIC Securities will finance the cash consideration payable for the Offers by the Offeror from its internal resources. CITIC Securities Corporate Finance (HK) Limited, the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are available to the Offeror to satisfy payment of the consideration in respect of the full acceptance of the Offers.

Compulsory acquisition

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any KVB Shares outstanding after the close of the Offers.

Effect of accepting the Offers

The Share Offer is unconditional. By validly accepting the Share Offer, the Independent KVB Shareholders will sell their tendered KVB Shares to the Offeror free from all encumbrances and together with all rights attaching to them, including, without limitation, the rights to receive in full all dividends and other distributions, if any, recommended, declared, made or paid by reference to a record date on or after the date on which the Share Offer is made, that is, the date of the posting of the Composite Document.

In accordance with the terms of the share option scheme adopted by KVB Kunlun on 3 June 2013, the KVB Option Holders are entitled to exercise the vested KVB Options in full or in part (to the extent not already exercised) at any time within one month after the date on which the Share Offer becomes or is declared unconditional, after which the KVB Options (no matter vested or unvested) shall automatically lapse and not be exercisable (to the extent not already exercised) according to the terms of the share option scheme.

The Option Offer is unconditional. By validly accepting the Option Offer, the KVB Option Holders will agree to the cancellation of their tendered KVB Options and all rights attached thereto on or after the date on which the Option Offer is made, that is, the date of the posting of the Composite Document.

Acceptance of the Offers by any Independent KVB Shareholder or KVB Option Holder (as the case may be) will be deemed to constitute a warranty by such person that all KVB Shares or KVB Options sold by such person under the Offers are free from all encumbrances (and, in the case of KVB Options, will be cancelled and renounced) whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and distributions recommended, declared, made or paid, if any, on or after the date on which the Offers are made, that is, the date of the posting of the Composite Document.

Acceptance of the Offers shall be irrevocable and would not be capable of being withdrawn, except as permitted under the Takeovers Code.

Hong Kong stamp duty

The seller's Hong Kong ad valorem stamp duty on acceptance of the Share Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance by the KVB Shareholders or, if higher, the market value of the KVB Shares, will be deducted from the amount payable to Independent KVB Shareholders who accept the Share Offer. The Offeror will bear its own portion of the buyer's Hong Kong ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of the relevant acceptance of the Share Offer or, if higher, the

LETTER FROM CITIC SECURITIES CORPORATE FINANCE (HK) LIMITED

market value of the KVB Shares, as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Cap 117 of the Laws of Hong Kong), and will arrange for payment to the Stamp Office of Hong Kong of the stamp duty payable for the sale and purchase of the KVB Shares which are validly tendered for acceptance under the Share Offer.

No stamp duty is payable in connection with the acceptance of the Option Offer.

Payment

Payment in cash in respect of acceptance of the Offers will be made as soon as possible but in any event within seven (7) business days following the date on which the duly completed acceptance of the Offers and the relevant documents of title of the KVB Shares or the KVB Options (as the case may be) in respect of such acceptance are received by or for the Offeror to render such acceptance of any of the Share Offer and the Option Offer complete and valid.

Taxation advice

Independent KVB Shareholders and KVB Option Holders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of CITIC Securities, the Offeror and parties acting in concert with it, KVB Kunlun, CITIC Securities Corporate Finance (HK) Limited, and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers, accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

Overseas KVB Shareholders and Overseas KVB Option Holders

As the Offers to persons not residing in Hong Kong might be affected by the laws of the relevant jurisdiction in which they are resident, Overseas KVB Shareholders, Overseas KVB Option Holders, and beneficial owners of the KVB Shares and/or KVB Options who are citizens, residents or nationals of a jurisdiction outside Hong Kong should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offers. It is the responsibility of the Overseas KVB Shareholders, Overseas KVB Option Holders and beneficial owners of the KVB Shares and/or KVB Options who are citizens, residents or nationals of a jurisdiction outside Hong Kong who wish to accept the Share Offer and/or the Option Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

LETTER FROM CITIC SECURITIES CORPORATE FINANCE (HK) LIMITED

Any acceptance by any Overseas KVB Shareholders, Overseas KVB Option Holders and beneficial owners of the KVB Shares and/or KVB Options who are citizens, residents or nationals of a jurisdiction outside Hong Kong will be deemed to constitute a representation and warranty from such persons to the Offeror that the local laws and requirements have been complied with. The Overseas KVB Shareholders, Overseas KVB Option Holders and beneficial owners of the KVB Shares and/or KVB Options who are citizens, residents or nationals of a jurisdiction outside Hong Kong should consult their professional advisers if in doubt.

Dealing and interests in KVB Kunlun's securities

For the six months immediately prior to 11 November 2014, i.e. the date of the Initial Announcement in relation to the possible acquisition of the KVB Shares, and up to and including the Latest Practicable Date, save for the entering into of the LOI and the Share Purchase Agreement, CITIC Securities, the Offeror and/or parties acting in concert with any of them have not dealt in any shares, options, derivatives, warrants or other securities convertible into KVB Shares or other types of equity interest in KVB Kunlun.

INFORMATION OF THE OFFEROR AND CITIC SECURITIES

The Offeror was incorporated in Hong Kong with limited liability on 17 April 2015. It is an investment holding company established mainly for the purpose of holding the Sale Shares and making the Offers. The Offeror is a wholly-owned subsidiary of CITIC Securities. Save for the holding of the Sale Shares and the matters in relation to the Offers, the Offeror has not conducted any business since its incorporation.

As at the Latest Practicable Date, the directors of the Offeror are Mr. GE Xiaobo, Mr. LIU Wei and Mr. LI Jiong.

CITIC Securities is one of the leading full-service securities companies in China that has its shares listing in both Shanghai Stock Exchange (stock code: 600030) and the Stock Exchange (stock code: 6030). CITIC Securities offers a wide range of products and services to a large and diverse client base that includes corporations, financial institutions, governmental entities and individuals. Principle businesses of CITIC Securities include investment banking, brokerage, trading, asset management and investment. As at the Latest Practicable Date, CITIC Corporation Limited is the largest shareholder of CITIC Securities holding approximately 17.14% of the total issued share capital of CITIC Securities.

As at the Latest Practicable Date, the executive directors of CITIC Securities are Mr. WANG Dongming, Mr. CHENG Boming, Mr. YIN Ke and Mr. LIU Lefei; the non-executive director of CITIC Securities is Mr. FANG Jun; and the independent non-executive directors of CITIC Securities are Mr. WU Xiaoqiu, Mr. LEE Kong Wai, Conway and Mr. RAO Geping.

REASONS FOR THE ACQUISITION

- The acquisition of the Sale Shares by CITIC Securities under the Share Purchase Agreement provides an international platform for the development of global foreign currency trading business of CITIC Securities.
- By utilizing KVB Kunlun's established foreign currency trading technology, the ForexStar system and its ongoing dealership platform and infrastructure, CITIC Securities can have access to global foreign currency trading business. The completion of the acquisition would allow the large and diverse clientele retained by CITIC Securities to access the global foreign currency business opportunities through its integrated service platform.
- The acquisition enriches the client base and sales networks of CITIC Securities which currently mainly cover the onshore market in China and then to expand the international market, which will further strengthen the competing position of CITIC Securities in regional and global market.

INTENTIONS OF THE OFFEROR IN RELATION TO KVB KUNLUN

Following the close of the Offers, the Offeror intends to continue the existing principal businesses of KVB Kunlun Group. The Offeror would conduct a review on the financial position and the operations of KVB Kunlun Group and would formulate business plans and strategies of KVB Kunlun Group, which would be appropriate to enhance the long-term growth potential of KVB Kunlun Group. The Offeror has no intention to make major changes to the employment matters or to redeploy assets of KVB Kunlun Group other than those in its ordinary and usual course of business.

Board composition of KVB Kunlun

The board of KVB Kunlun is currently made up of seven directors, comprising two executive directors, two non-executive directors and three independent non-executive directors of KVB Kunlun.

The Offeror currently does not have intention to request for resignation of any directors of KVB Kunlun after the close of the Offers. Any changes to the board of KVB Kunlun will be made in compliance with the Takeovers Code and the GEM Listing Rules and further announcement(s) will be made as and when appropriate.

MAINTAINING THE LISTING STATUS OF KVB KUNLUN

The Offeror intends KVB Kunlun to remain listed on the Stock Exchange. The directors of the Offeror have jointly and severally undertaken (and procure any new directors to be appointed to the board of KVB Kunlun (if any) to undertake) to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in KVB Shares.

LETTER FROM CITIC SECURITIES CORPORATE FINANCE (HK) LIMITED

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to KVB Kunlun, being 25% of the issued shares of KVB Kunlun, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the KVB Shares; or
- that there are insufficient KVB Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the KVB Shares.

ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding further terms of the Offers, the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

GENERAL

This Composite Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the GEM Listing Rules and the information disclosed may not be the same as which would have been disclosed if this Composite Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

To ensure equality of treatment of all KVB Shareholders, those KVB Shareholders and KVB Option Holders who hold KVB Shares or KVB Options as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the KVB Shares and KVB Options whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offers.

Attention of the Overseas KVB Shareholders and the Overseas KVB Option Holders is drawn to paragraph headed “Overseas KVB Shareholders and Overseas KVB Option Holders” of Appendix I to this Composite Document.

LETTER FROM CITIC SECURITIES CORPORATE FINANCE (HK) LIMITED

All communications, notices, Form(s) of Acceptance, share certificates, certificate(s) of KVB Options, transfer receipts (as the case may be), other documents of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the KVB Shareholders and/or the KVB Option Holders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk. CITIC Securities, the Offeror and parties acting in concert with it, KVB Kunlun, CITIC Securities Corporate Finance (HK) Limited, the Independent Financial Adviser, the Registrar or professional advisers or any of their respective directors or any other parties involved in the Offers will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith. Further details have been set out in Appendix I to this Composite Document and in the Form(s) of Acceptance.

ADDITIONAL INFORMATION

You are also advised to read this Composite Document together with the accompanying Form(s) of Acceptance in respect of the acceptance and settlement procedures of the Offers. Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are reminded to carefully read the “Letter from the Board of KVB Kunlun”, the advice of the independent board committee of KVB Kunlun, the recommendation of the Independent Financial Adviser and other information about the KVB Kunlun Group, which are set out in this Composite Document before deciding whether or not to accept the Offers.

Yours faithfully,
For and on behalf of
**CITIC Securities Corporate Finance
(HK) Limited**
Edmund Chan
Managing Director



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
Mr. Ng Chee Hung Frederick

Non-executive directors:

Mr. Li Zhi Da
Mr. Stephen Gregory McCoy

Independent non-executive directors:

Ms. Zhao Guixin
Mr. Cornelis Jacobus Keyser
Mr. Lin Wenhui

Registered office:

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO 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

5 June 2015

To the Independent KVB Shareholders and KVB Option Holders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS BY
CITIC SECURITIES CORPORATE FINANCE (HK) LIMITED
FOR AND ON BEHALF OF THE OFFEROR TO
ACQUIRE ALL THE ISSUED SHARES OF KVB KUNLUN
(OTHER THAN THOSE SHARES ALREADY OWNED OR
AGREED TO BE ACQUIRED BY THE OFFEROR AND
PARTIES ACTING IN CONCERT WITH IT AND
THE NON-ACCEPTANCE SHARES)
AND TO CANCEL ALL THE OUTSTANDING OPTIONS
OF KVB KUNLUN**

INTRODUCTION

KVB Kunlun and CITIC Securities jointly announced on 26 February 2015, among other things, that on 29 January 2015, the Vendor and CITIC Securities entered into the Share Purchase Agreement pursuant to which CITIC Securities has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, being 1,200,000,000 KVB

LETTER FROM THE BOARD OF KVB KUNLUN

Shares, for a total Consideration of HK\$780,000,000, equivalent to HK\$0.65 per Sale Share. The Sale Shares represent approximately 59.37% of the entire issued KVB Shares of KVB Kunlun as at the Latest Practicable Date.

As disclosed in the announcement jointly issued by KVB Kunlun and CITIC Securities dated 29 May 2015 in relation to the Completion, in accordance with the Share Purchase Agreement, CITIC Securities has nominated the Offeror, a wholly-owned subsidiary of CITIC Securities, to purchase from the Vendor the full legal and beneficial ownership of the Sale Shares and to make the Offers and the Completion took place on 29 May 2015 upon fulfilment of all the conditions precedent set out in the Share Purchase Agreement.

Immediately after the Completion, the Offeror directly held approximately 59.37% of the total issued share capital of KVB Kunlun, and accordingly, the Offeror is required to make unconditional mandatory general cash offers for all the issued KVB Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it and the Non-acceptance Shares (i.e. 300,000,000 KVB Shares) held by the Vendor upon Completion, in respect of which the Non-acceptance Undertaking had been given by the Vendor in favour of CITIC Securities pursuant to the Share Purchase Agreement) and for the cancellation of all the outstanding KVB Options under Rules 26.1 and 13.5 of the Takeovers Code. CITIC Securities Corporate Finance (HK) Limited is making the Offers for and on behalf of the Offeror.

Further terms and the procedures for acceptances of the Offers are set out in the “Letter from CITIC Securities Corporate Finance (HK) Limited” and Appendix I to this Composite Document of which this letter forms part. The purpose of this Composite Document is to provide you with, among other things, information relating to KVB Kunlun and the Offers, the “Letter from the Independent Board Committee of KVB Kunlun” containing its recommendation to the Independent KVB Shareholders and the KVB Option Holders and the “Letter from the Independent Financial Adviser” containing the advice of the Independent Financial Adviser to the independent board committee of KVB Kunlun, the Independent KVB Shareholders and the KVB Option Holders in relation to the Offers.

THE OFFERS

As at the Latest Practicable Date, KVB Kunlun has outstanding KVB Options to subscribe for up to 16,910,000 KVB Shares, of which 12,940,000 KVB Options are vested and exercisable at the exercise price of HK\$0.414 per KVB Share during the exercise period from 10 January 2015 to 9 January 2018. All outstanding KVB Options were granted pursuant to a share option scheme adopted by KVB Kunlun on 3 June 2013.

Save for the outstanding KVB Options, KVB Kunlun has no outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of KVB Shares and KVB Kunlun has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than as disclosed above as at the Latest Practicable Date.

LETTER FROM THE BOARD OF KVB KUNLUN

The Share Offer Price of HK\$0.65 each Offer Share under the Share Offer is the same as the purchase price per Sale Share of HK\$0.65 paid by the Offeror under the Share Purchase Agreement. As stated in the “Letter from CITIC Securities Corporate Finance (HK) Limited”, as the Offeror and parties acting in concert with it owned 1,200,000,000 KVB Shares as at the Latest Practicable Date and pursuant to the Non-acceptance Undertaking, the number of KVB Shares subject to the Share Offer and the number of KVB Options subject to the Option Offer will be (i) 521,320,000 KVB Shares and 16,910,000 KVB Options, respectively (assuming no KVB Option is exercised and without taking into account the Non-acceptance Shares), and accordingly, the total consideration of the Share Offer based on the Share Offer Price and the total consideration of the Option Offer based on the Option Offer Price will be HK\$338,858,000 and HK\$3,990,760, respectively; or (ii) 534,260,000 KVB Shares (assuming all of the 12,940,000 outstanding vested KVB Options are exercised in full and without taking into account the Non-acceptance Share) and 3,970,000 outstanding unvested KVB Options, respectively, and accordingly, the total consideration of the Share Offer based on the Share Offer Price and the total consideration of the Option Offer based on the Option Offer Price will be HK\$347,269,000 and HK\$936,920, respectively. For details of the Non-acceptance Undertaking, please refer to the sub-section headed “Non-acceptance Undertaking” under the section headed “The Offers” in the “Letter from CITIC Securities Corporate Finance (HK) Limited” set out in this Composite Document.

Principal terms of the Offers

CITIC Securities Corporate Finance (HK) Limited, on behalf of the Offeror and in compliance with the Takeovers Code, hereby makes the Offers on the terms set out in this Composite Document on the following basis:

For each Offer ShareHK\$0.65 in cash

**The Option Offer for
cancellation of each outstanding KVB Option
(all with exercise price of HK\$0.414) HK\$0.236**

The Share Offer Price of HK\$0.65 for each Offer Share under the Share Offer is the same as the purchase price per Sale Share of HK\$0.65 at which the Sale Shares were acquired by the Offeror pursuant to the Share Purchase Agreement.

The Option Offer Price of HK\$0.236 per outstanding KVB Option, represents the difference between the exercise price of HK\$0.414 of the outstanding KVB Options and the Share Offer Price of HK\$0.65, pursuant to Rule 13 of the Takeovers Code and Practice Note 6 of the Takeovers Code.

LETTER FROM THE BOARD OF KVB KUNLUN

Comparison of value

The Share Offer Price of HK\$0.65 per KVB Share represents:

- (i) a premium of approximately 41.30% over the closing price of HK\$0.46 per KVB Share as quoted on the Stock Exchange on 10 November 2014, being the last full business day prior to the commencement of the Offer Period;
- (ii) a discount of approximately 52.55% to the closing price of HK\$1.37 per KVB Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 53.64% to the average closing price of HK\$1.402 per KVB Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 47.33% to the average closing price of HK\$1.234 per KVB Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 38.27% to the average closing price of approximately HK\$1.053 per KVB Share as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 61.76% to the closing price of approximately HK\$1.70 per the KVB Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vii) a premium of approximately 231.63% over the consolidated net asset value of KVB Kunlun per KVB Share of approximately HK\$0.196 per KVB Share (based on the number of issued KVB Shares as at 31 December 2014) as at 31 December 2014 as set out in the latest annual report of KVB Kunlun.

Highest and lowest KVB Share prices

The highest and lowest closing prices of the KVB Shares as quoted on the Stock Exchange during the six-month period immediately preceding the Offer Period and up to and including the Latest Practicable Date from 11 May 2014 to 2 June 2015 were HK\$1.90 per KVB Share on 14 April 2015 and HK\$0.38 per KVB Share on 12 September 2014, respectively.

Total value of the Offers

The number of Sale Shares under the Share Purchase Agreement is 1,200,000,000 KVB Shares and the total consideration of Sale Shares is HK\$780,000,000. On the basis of the Share Offer Price of HK\$0.65 per KVB Share and 2,021,320,000 KVB Shares in issue as at the Latest Practicable Date, the entire issued share capital of KVB Kunlun is valued at HK\$1,313,858,000 (assuming none of the 12,940,000 outstanding vested KVB Options are exercised prior to the close of the Offers) or HK\$1,322,269,000 (assuming all of the 12,940,000 outstanding vested KVB Options are exercised in full prior to the close of the Offers). Assuming that none of the 12,940,000 outstanding KVB Options is exercised prior to the close of the Offers and there is no change in the issued share capital of KVB Kunlun up to the close of the Offers, 521,320,000 KVB Shares and 16,910,000 KVB Options would be subject to the Share Offer and the Option Offer, respectively, and the Offers would be valued at HK\$342,848,760 in aggregate.

LETTER FROM THE BOARD OF KVB KUNLUN

In the event that all of the 12,940,000 outstanding vested KVB Options are exercised in full and an aggregate of 12,940,000 new KVB Shares are issued by KVB Kunlun prior to the close of the Offers, assuming that there is no other change in the issued share capital of KVB Kunlun up to the close of the Offers, the total number of KVB Shares subject to the Share Offer would be increased to 534,260,000 KVB Shares and there would be 3,970,000 outstanding unvested KVB Options, and the maximum aggregated value of the Share Offer and the Option Offer would be increased to HK\$348,205,920 as a result thereof.

Financial resources

CITIC Securities will finance the cash consideration payable for the Offers by the Offeror from its internal resources. CITIC Securities Corporate Finance (HK) Limited, the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are available to the Offeror to satisfy payment of the consideration in respect of the full acceptance of the Offers.

Effect of accepting the Offers

The Share Offer is unconditional. By validly accepting the Share Offer, the Independent KVB Shareholders will sell their tendered KVB Shares to the Offeror free from all encumbrances and together with all rights attaching to them, including, without limitation, the rights to receive in full all dividends and other distributions, if any, recommended, declared, made or paid by reference to a record date on or after the date on which the Share Offer is made, that is, the date of the posting of the Composite Document.

The Option Offer is unconditional. By validly accepting the Option Offer, the KVB Option Holders will agree to the cancellation of their tendered KVB Options and all rights attached thereto on or after the date on which the Option Offer is made, that is, the date of the posting of the Composite Document.

Acceptance of the Offers by any Independent KVB Shareholder or KVB Option Holder (as the case may be) will be deemed to constitute a warranty by such person that all KVB Shares or KVB Options sold by such person under the Offers are free from all encumbrances (and, in the case of KVB Options, will be cancelled and renounced) whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and distributions recommended, declared, made or paid, if any, on or after the date on which the Offers are made, that is, the date of the posting of the Composite Document.

Acceptance of the Offers shall be irrevocable and would not be capable of being withdrawn, except as permitted under the Takeovers Code.

As at the Latest Practicable Date, none of the directors of KVB Kunlun intends to (i) accept the Share Offer in respect of the KVB Shares held by them but may consider selling their KVB Shares in the market instead of accepting the Share Offer if the market price of the KVB Shares exceeds the Share Offer Price during the Offer Period and the net proceeds (net of transaction costs) exceed the net proceeds receivable under the Share Offer or (ii) accept the Option Offer in respect of the KVB Options held by them but may consider exercising the KVB Options during the Offer Period.

LETTER FROM THE BOARD OF KVB KUNLUN

Your attention is drawn to the further details regarding the procedures for acceptance and settlement of the Offers and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

INFORMATION ON KVB KUNLUN

KVB Kunlun was incorporated in the Cayman Islands on 9 November 2010 as an exempted company with limited liability, the issued shares of which are listed on GEM of The Stock Exchange. KVB Kunlun is an investment holding company and its subsidiaries are principally engaged in leveraged foreign exchange and other trading, cash dealing business, and other services.

Set out below is a summary of the audited consolidated results of KVB Kunlun Group for the financial year ended 31 December 2013 and the audited consolidated results of KVB Kunlun Group for the financial year ended 31 December 2014, as extracted from the annual reports of KVB Kunlun for the years ended 31 December 2013 and 2014 and the unaudited consolidated results of KVB Kunlun Group for the three months ended 31 March 2015 as extracted from the quarterly report of KVB Kunlun for the three months ended 31 March 2015, respectively.

	Three months ended 31 March 2015 (Unaudited)	For the year ended 31 December 2014 (Audited)	For the year ended 31 December 2013 (Audited)
<i>HK\$'000</i>			
Revenue	56,183	188,634	176,719
Profit/(Loss) before tax	16,431	47,697	50,130
Profit/(Loss) attributable to owners of KVB Kunlun	12,582	35,081	34,774

The consolidated net asset value of KVB Kunlun Group as at 31 December 2014 was approximately HK\$391,723,000 which was equivalent to approximately HK\$0.196 per KVB Share. The consolidated net asset value of KVB Kunlun Group as at 31 December 2013 was approximately HK\$382,099,000 which was equivalent to approximately HK\$0.191 per KVB Share. The unaudited consolidated net asset value of KVB Kunlun Group as at 31 March 2015 was approximately HK\$400,678,000, which was equivalent to approximately HK\$0.20 per KVB Share.

LETTER FROM THE BOARD OF KVB KUNLUN

SHAREHOLDING STRUCTURE OF KVB KUNLUN

Set out below is the shareholding structure of KVB Kunlun: (i) immediately after the Completion and as at the Latest Practicable Date; (ii) immediately after the Completion (assuming none of the outstanding KVB Options are exercised); and (iii) immediately after the Completion (assuming all the outstanding vested KVB Options are exercised):

	Immediately after the Completion and as at the Latest Practicable Date		Immediately after the Completion (assuming none of the outstanding KVB Options are exercised)		Immediately after the Completion (assuming all the outstanding vested KVB Options are exercised)	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>Number of</i> KVB Shares	<i>percentage</i> (%)	<i>Number of</i> KVB Shares	<i>percentage</i> (%)	<i>Number of</i> KVB Shares	<i>percentage</i> (%)
Vendor	300,000,000	14.84	300,000,000	14.84	300,000,000	14.75
The Offeror and the parties acting in concert with it (<i>Note 1</i>)	1,200,000,000	59.37	1,200,000,000	59.37	1,200,000,000	58.99
KVB Option Holders	–	–	–	–	12,940,000	0.64
Public KVB Shareholders	521,320,000	25.79	521,320,000	25.79	521,320,000	25.63
Total:⁽²⁾	2,021,320,000	100	2,021,320,000	100	2,034,260,000	100

Note 1: The Offeror is wholly-owned by CITIC Securities.

Note 2: The figures are rounded to the nearest whole number.

INFORMATION OF THE OFFEROR AND CITIC SECURITIES

The Offeror was incorporated in Hong Kong with limited liability on 17 April 2015. It is an investment holding company established mainly for the purpose of holding the Sale Shares and making the Offers. The Offeror is a wholly-owned subsidiary of CITIC Securities. Save for the holding of the Sale Shares and the matters in relation to the Offers, the Offeror has not conducted any business since its incorporation.

CITIC Securities is one of the leading full-service securities companies in China that has its shares listing in both Shanghai Stock Exchange (stock code: 600030) and the Stock Exchange (stock code: 6030). CITIC Securities offers a wide range of products and services to a large and diverse client base that includes corporations, financial institutions, governmental entities and individuals. Principle businesses of CITIC Securities include investment banking, brokerage, trading, asset management and investment.

LETTER FROM THE BOARD OF KVB KUNLUN

INTENTIONS OF THE OFFEROR IN RELATION TO KVB KUNLUN

Upon Completion, the Offeror has become the controlling shareholder of KVB Kunlun. Following the close of the Offers, the Offeror intends to continue the existing principal businesses of KVB Kunlun Group. The Offeror would conduct a review on the financial position and the operations of KVB Kunlun Group and would formulate business plans and strategies of KVB Kunlun Group, which would be appropriate to enhance the long-term growth potential of KVB Kunlun Group. The Offeror has no intention to make major changes to the employment matters or to redeploy assets of KVB Kunlun Group other than those in its ordinary and usual course of business.

Board composition of KVB Kunlun

The Board of KVB Kunlun is currently made up of seven directors, comprising two executive directors, two non-executive directors and three independent non-executive directors of KVB Kunlun.

The Offeror currently does not have intention to request for resignation of any directors of KVB Kunlun after the close of the Offers. Any changes to the board of KVB Kunlun will be made in compliance with the Takeovers Code and the GEM Listing Rules and further announcement(s) will be made as and when appropriate.

MAINTAINING THE LISTING STATUS OF KVB KUNLUN

The Offeror intends KVB Kunlun to remain listed on the Stock Exchange. The directors of the Offeror have jointly and severally undertaken (and procure any new directors to be appointed to the board of KVB Kunlun (if any) to undertake) to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in KVB Shares.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to KVB Kunlun, being 25% of the issued shares of KVB Kunlun, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the KVB shares; or
- that there are insufficient KVB Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the KVB shares.

LETTER FROM THE BOARD OF KVB KUNLUN

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER OF KVB KUNLUN

Pursuant to Rule 2.1 of the Takeovers Code, the independent board committee of KVB Kunlun, comprising Mr. Stephen Gregory McCoy, a non-executive director of KVB Kunlun and all the independent non-executive directors of KVB Kunlun, (namely Ms. Zhao Guixin, Mr. Cornelis Jacobus Keyser and Mr. Lin Wenhui) has been formed to advise the Independent KVB Shareholders and the KVB Option Holders in respect of the Offers. Mr. Li Zhi Da, as a controlling shareholder of the Vendor, was excluded from the independent board committee of KVB Kunlun to avoid any conflict of interest as to the recommendation in respect of the Offers.

LETTER FROM THE BOARD OF KVB KUNLUN

Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the independent board committee of KVB Kunlun and the Independent KVB Shareholders and the KVB Option Holders (as the case may be) in respect of the Offers, in particular as to whether the Offers are fair and reasonable and as to the acceptance of the Offers. The appointment of Octal Capital Limited has been approved by the independent board committee of KVB Kunlun.

You are advised to read the “Letter from the Independent Board Committee of KVB Kunlun” addressed to the Independent KVB Shareholders and the KVB Option Holders (as the case may be) and the additional information contained in the appendices to this Composite Document before taking any action in respect of the Offers.

RECOMMENDATION

Your attention is drawn to the “Letter from the Independent Board Committee of KVB Kunlun” and the “Letter from CITIC Securities Corporate Finance (HK) Limited”, respectively, which set out their recommendations and opinions in relation to the Offers and the principal factors considered by them before arriving at their recommendations.

ADDITIONAL INFORMATION

You are also advised to read this Composite Document together with the accompanying Form(s) of Acceptance in respect of the acceptance and settlement procedures of the Offers. Your attention is drawn to the additional information contained in the appendices to this Composite Document.

By order of the board
KVB Kunlun Financial Group Limited
Liu Stefan
Executive director



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)

*To the Independent KVB Shareholders
and KVB Option Holders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS BY
CITIC SECURITIES CORPORATE FINANCE (HK) LIMITED
FOR AND ON BEHALF OF THE OFFEROR TO
ACQUIRE ALL THE ISSUED SHARES
IN THE ISSUED SHARE CAPITAL OF KVB KUNLUN
(OTHER THAN THOSE SHARES ALREADY OWNED OR
AGREED TO BE ACQUIRED BY THE OFFEROR AND
PARTIES ACTING IN CONCERT WITH IT AND
THE NON-ACCEPTANCE SHARES)
AND TO CANCEL ALL THE OUTSTANDING OPTIONS
OF KVB KUNLUN**

We refer to the Composite Document dated 5 June 2015 jointly issued by the Offeror and KVB Kunlun of which this letter forms part. Terms used in this letter shall have the meanings as those defined in the Composite Document unless the context requires otherwise.

We have been appointed by the board of KVB Kunlun to establish the independent board committee of KVB Kunlun to make recommendation to you as to (i) whether, in our opinion, the terms of the Offers are fair and reasonable so far as the Independent KVB Shareholders and the KVB Option Holders (as the case may be) are concerned, and (ii) acceptance of the Offers, after taking into account the advice from the Independent Financial Adviser, the independent financial adviser to the independent board committee of KVB Kunlun, the Independent KVB Shareholders and the KVB Option Holders.

Details of advice from the Independent Financial Adviser and the principal factors it has taken into consideration in arriving at its recommendations are set out in the “Letter from the Independent Financial Adviser” on pages 29 to 51 of this Composite Document. Details of the Offers are set out in the “Letter from CITIC Securities Corporate Finance (HK) Limited”, Appendix I of this Composite Document and the accompanying Form(s) of Acceptance.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE OF KVB KUNLUN

Having taken into account the advice and recommendations of the Independent Financial Adviser and the principal factors taken into consideration by it in arriving at its opinion, we are of the opinion that the terms of the Share Offer are not attractive, but, on balance, are fair and reasonable so far as the Independent KVB Shareholders are concerned, and the terms of the Option Offer are fair and reasonable so far as the Independent the KVB Option Holders are concerned. Accordingly, we recommend the Independent KVB Shareholders and the KVB Option Holders (as the case may be) to accept the Offers.

However, the Independent KVB Shareholders and the KVB Option Holders (as the case may be), in particular those who intend to accept the Offers, are reminded to note the recent fluctuation in the price of the KVB Shares. In particular, the Independent KVB Shareholders should note that the price level of the KVB Shares has been maintaining at a level much higher than the Share Offer Price after the publication of the Joint Announcement up to the latest Practicable Date. There is no guarantee that the current market price of the KVB Shares will or will not sustain and will or will not be higher than the Share Offer Price during and after the period for the acceptance of the Offers. The Independent KVB Shareholders and the KVB Option Holders (as the case may be) who intend to accept the Offers are reminded to closely monitor the market price and the liquidity of the KVB Shares during the period for the acceptance of the Offers and shall, having regard to their own circumstances and investment objectives, consider selling their KVB Shares in the open market, instead of accepting the Offers, if the net proceeds from the sale of such KVB Shares, net of all transaction costs, would be higher than that receivable under the Offers.

Furthermore, Independent KVB Shareholders are reminded that their decisions to dispose of or hold their investment in the KVB Shares are subject to their individual circumstances and investment objectives.

Notwithstanding our recommendation, the Independent KVB Shareholders and the KVB Option Holders (as the case may be) should consider carefully the terms of the Offers and the “Letter from the Independent Financial Adviser of KVB Kunlun” in this Composite Document.

Yours faithfully,

For and on behalf of the
independent board committee of
KVB Kunlun Financial Group Limited

**Mr. Stephen
Gregory McCoy**
*Non-executive
director*

Ms. Zhao Guixin
*Independent
non-executive
director*

**Mr. Cornelis
Jacobus Keyser**
*Independent
non-executive
director*

Mr. Lin Wenhui
*Independent
non-executive
director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



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

5 June 2015

*To the Independent Board Committee,
the Independent KVB Shareholders and
the KVB Option Holders*

Dear Sirs,

UNCONDITIONAL MANDATORY CASH OFFERS

INTRODUCTION

We refer to our engagement to advise the independent board committee in respect of the terms of the Offers, particulars of which are set out in the Composite Document despatched to the Independent KVB Shareholders dated 5 June 2015, in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them in the Composite Document.

The Vendor and CITIC Securities entered into the Share Purchase Agreement on 29 January 2015, pursuant to which CITIC Securities has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, being 1,200,000,000 KVB Shares, for total Consideration of HK\$780,000,000, equivalent to HK\$0.65 per Sale Share. As disclosed in the announcement jointly issued by KVB Kunlun and CITIC Securities dated 29 May 2015 in relation to the Completion, in accordance with the Share Purchase Agreement, CITIC Securities has nominated the Offeror, a wholly-owned subsidiary of CITIC Securities, to purchase from the Vendor the full legal and beneficial ownership of the Sale Shares.

As the Offeror and parties acting in concert with it will be interested in a total of 1,200,000,000 KVB Shares, representing approximately 59.37% of the total issued share capital of KVB Kunlun as at the Latest Practicable Date, the Offeror is required under Rules 26.1 and 13.5 of the Takeovers Code to make unconditional mandatory cash offers to acquire all issued KVB Shares (other than those KVB Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it and the 300,000,000 KVB Shares held by the Vendor upon Completion, in respect of which the Non-acceptance Undertaking had been given by the Vendor in favour of CITIC Securities pursuant to the Share Purchase Agreement) and to cancel all the outstanding KVB Options.

The independent board committee, comprising a non-executive director of KVB Kunlun, namely Mr. Stephen Gregory McCoy and all the independent non-executive directors of KVB Kunlun, namely Ms. Zhao Guixin, Mr. Cornelis Jacobus Keyser and Mr. Lin Wenhui has been

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

formed to advise the Independent KVB Shareholders and the KVB Option Holders in respect of the Offers. Mr. Li Zhi Da, as a controlling shareholder of the Vendor, was excluded from the independent board committee of KVB Kunlun to avoid any conflict of interest as to the recommendation in respect of the Offers. We, Octal Capital Limited, have been approved by the independent board committee as the independent financial adviser in respect of the Offers.

We are not connected with the directors, chief executive or substantial shareholders of KVB Kunlun, the KVB Kunlun Group, CITIC Securities, the Offeror or their respective associates and do not have any shareholding, direct or indirect, in any member of the KVB Kunlun Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the KVB Kunlun Group as at the Latest Practicable Date, and are therefore considered suitable to give independent advice to the independent board committee, the Independent KVB Shareholders and the KVB Option Holders. During the last two years, there was no previous engagement between us and the KVB Kunlun Group, CITIC Securities or the Offeror. Apart from normal professional fees payable to us by KVB Kunlun in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from KVB Kunlun, the KVB Kunlun Group, CITIC Securities, the Offeror or the directors, chief executive and substantial shareholders of KVB Kunlun or CITIC Securities or the Offeror or any of their subsidiaries or their respective associates.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Composite Document and have assumed that all information and representations made or referred to in the Composite Document as provided by directors of KVB Kunlun and/or the Offeror were true at the time they were made and continue to be true as at the Latest Practicable Date. We have reviewed the published information on KVB Kunlun, including but not limited to, the annual reports of KVB Kunlun for the two years ended 31 December 2013 and 2014 and other information contained in the Composite Document. We have also reviewed the trading performance of the KVB Shares on the Stock Exchange. We have also relied on our discussion with directors of KVB Kunlun regarding the KVB Kunlun Group and the Offers, including the information and representations contained in the Composite Document. We have also assumed that all statements of belief, opinion and intention made by directors of KVB Kunlun and the Offeror respectively in the Composite Document were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Composite Document nor to doubt the truth, accuracy and completeness of the information and representations provided by directors of KVB Kunlun and the Offeror. We have not, however, conducted any independent in-depth investigation into the business and affairs of the KVB Kunlun Group, CITIC Securities, the Offeror and their respective associates nor have we carried out any independent verification of the information supplied.

We have not considered the tax implications on the Independent KVB Shareholders or on the KVB Option Holders of their acceptances or non-acceptances of the Offers since these are particular to their own individual circumstances. In particular, the Independent KVB

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders and the KVB Option Holders who are residents outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offers and, if in any doubt, should consult their own professional adviser.

TERMS OF THE OFFERS

The Vendor and CITIC Securities entered into the Share Purchase Agreement on 29 January 2015, pursuant to which CITIC Securities has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, being 1,200,000,000 KVB Shares, for total Consideration of HK\$780,000,000, equivalent to HK\$0.65 per Sale Share. In accordance with the Share Purchase Agreement, CITIC Securities has nominated the Offeror, a wholly-owned subsidiary of CITIC Securities, to purchase from the Vendor the full legal and beneficial ownership of the Sale Shares.

Completion took place on 29 May 2015. Upon Completion, the Offeror has acquired 1,200,000,000 KVB Shares, representing approximately 59.37% of the 2,021,320,000 KVB Shares in issue of KVB Kunlun as at the Latest Practicable Date.

As the Offeror and parties acting in concert with it are interested in a total of 1,200,000,000 KVB Shares, representing approximately 59.37% of the total issued share capital of KVB Kunlun, the Offeror is required under Rules 26.1 and 13.5 of the Takeovers Code to make unconditional mandatory cash offers to acquire all issued KVB Shares (other than those KVB Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it and the 300,000,000 KVB Shares held by the Vendor upon Completion, in respect of which the Non-acceptance Undertaking had been given by the Vendor in favour of CITIC Securities pursuant to the Share Purchase Agreement) and to cancel all the outstanding KVB Options.

1. The Share Offer

The Share Offer is being made for all the 521,320,000 issued KVB Shares as at the Latest Practicable Date not held by the Offeror or the Vendor and parties acting in concert with anyone of them on the following basis:

The Share Offer
for each Offer Share HK\$0.65 in cash

The Share Offer Price of HK\$0.65 per KVB Share represents:

- (i) a premium of approximately 41.30% over the closing price of HK\$0.46 per KVB Share as quoted on the Stock Exchange on 10 November 2014, being the last full business day prior to the publication of the Initial Announcement which first disclosed that the controlling shareholder has been approached by a potential buyer to acquire all or part of its shareholding in KVB Kunlun on which date the Offer Period commenced;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) a discount of approximately 52.55% to the closing price of HK\$1.37 per KVB Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 53.64% to the average closing price of HK\$1.402 per KVB Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 47.33% to the average closing price of HK\$1.234 per KVB Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 38.27% to the average closing price of approximately HK\$1.053 per KVB Share as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 61.76% to the closing price of approximately HK\$1.70 per KVB Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vii) a premium of approximately 231.63% over the audited consolidated net asset value of KVB Kunlun per KVB Share of approximately HK\$0.196 per KVB Share (based on the number of issued KVB Shares as at 31 December 2014) as at 31 December 2014 as set out in the latest audited annual report of KVB Kunlun.

The KVB Shares will be acquired free from all encumbrances and together all rights attaching thereto, including, without limitation, the rights to receive in full all dividends and other distributions, if any, recommended, declared, made or paid by reference to a record date on or after the date on which the KVB Share Offer is made, being the date of despatch of the Composite Document.

The Share Offer Price of HK\$0.65 for each Offer Share under the Share Offer is the same as the purchase price per Sale Share of HK\$0.65 at which the Sale Shares are agreed to be acquired by the Offeror pursuant to the Share Purchase Agreement which was determined after arm's length negotiation between CITIC Securities and the Vendor.

2. The Option Offer

As at the Latest Practicable Date, KVB Kunlun has 2,021,320,000 KVB Shares in issue, of which a total of 521,320,000 KVB Shares will be subject to the Share Offer and has outstanding KVB Options to subscribe for up to 16,910,000 KVB Shares, of which 12,940,000 KVB Options are vested and exercisable at the exercise price of HK\$0.414 per KVB Share during the exercise period from 10 January 2015 to 9 January 2018. All outstanding KVB Options were granted pursuant to a share option scheme adopted by KVB Kunlun on 3 June 2013. Assuming that all the outstanding vested KVB Options are fully exercised prior to the close of the Offers and there is no other change in the issued share capital of KVB Kunlun up to the close of the Offers, a total of 534,260,000 KVB Shares will be subject to the Share Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Option Offer

for cancellation of each outstanding KVB Option

(with an exercise price of HK\$0.414) HK\$0.236 in cash

The Option Offer Price of HK\$0.236 per outstanding KVB Option, represents the difference between the exercise price of HK\$0.414 of the outstanding KVB Options and the Share Offer Price of HK\$0.65. Under Rule 13 of the Takeovers Code, where an offer is made for shares and there are options outstanding, the Offeror must make an appropriate offer or proposal to the holders of the options to ensure that their interest are safeguarded. Equality of treatment is required. The formula set out above pursuant to Rule 13 of the Takeovers Code and Practice Note 6 of the Takeovers Code is the “see through” price, i.e. the Share Offer Price less the exercise price in respect of the KVB Options.

Acceptance of the Offers by any Independent KVB Shareholder or KVB Option Holder (as the case may be) will be deemed to constitute a warranty by such person that all KVB Shares or KVB Options sold by such person under the Offers are free from all encumbrances (and, in the case of KVB Options, will be cancelled and renounced) whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and distributions recommended, declared, made or paid, if any, on or after the date on which the Offers are made, being the date of despatch of the Composite Document.

Acceptance of the Offers shall be irrevocable and would not be capable of being withdrawn, except permitted under the Takeovers Code.

Further terms and conditions of the Offers, including the procedures for acceptance of the Offers, are set out in the Composite Document.

PRINCIPAL FACTORS AND REASONS CONSIDERED ON THE OFFERS

In arriving at our opinion in respect of the Offers, we have taken into consideration the following principal factors and reasons:

1. Review of financial position/performance of The KVB Kunlun Group

The KVB Kunlun Group is an international financial services corporation which specializes in serving the overseas Chinese and Japanese communities through offices in New Zealand, Australia, PRC and Hong Kong. The KVB Kunlun Group is principally engaged in leveraged foreign exchange and other trading, cash dealing and securities trading services. Based on its quarterly reports published since its listing on the Stock Exchange in July 2013, the financial performance of the KVB Kunlun Group has been volatile due to its specific industry nature. The profitability of the KVB Kunlun Group is in-line with trading transaction volume which is highly depended on volatility of foreign exchange and commodity market. The comprehensive income for the two years ended 31 December 2014 was HK\$33.0 million and HK\$29.8 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the financial information of the KVB Kunlun Group as extracted from KVB Kunlun's annual reports for the two years ended 31 December 2014 (“**Annual Reports**”), first quarterly report for the three months ended 31 March 2014 (“**Quarterly Report 2014**”), and first quarterly report for the three months ended 31 March 2015 (“**Quarterly Report 2015**”):

	For the year ended		For the three months	
	31 December		ended 31 March	
	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<u>By business:</u>				
Leveraged foreign exchange and other trading income	135,543	144,207	19,328	41,936
Cash dealing income	11,505	16,636	3,974	3,892
Other income	29,671	27,791	966	10,355
Total income	176,719	188,634	24,268	56,183
<u>By geographical location:</u>				
New Zealand Margin dealing	160,452	165,451	–	–
Hong Kong Margin dealing	27,069	45,650	–	–
New Zealand Cash dealing	9,448	16,682	–	–
New Zealand Investment sales	4,900	6,742	–	–
Australia Investment sales	7,118	16,617	–	–
Unallocated	6,738	6,147	–	–
Elimination	(39,006)	(68,655)	–	–
Total income	176,719	188,634	–	–
Profit/(loss) for the year/period	34,774	35,081	(7,069)	12,582
<i>Net profit margin</i>	19.7%	18.6%	NA	22.39%
Total comprehensive income for the year/period	33,010	29,785	(2,553)	7,787

Source: Annual Reports, Quarterly Report 2014 and Quarterly Report 2015

Note: Income by geographical location is not available for the three months ended 31 March 2014 and 2015.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2014

For the first half of the year ended 31 December 2014, the market sentiment in foreign exchange and commodity trading activities was weak. There has been a significant slowdown in market momentum, with volatility reduced in the foreign exchange and commodity market. Such market situation reduced trading intentions of the KVB Kunlun Group's customers, which negatively impact the KVB Kunlun Group's foreign exchange and other brokerage business due to lower trading transaction volume. However, the foreign exchange and commodity market restored its volatility in the second half of the year ended 31 December 2014, which is mainly attributable to the U.S. announcement of its exit from Quantitative Easing 3 and the expectation of a US interest rate hike in early to mid-2015. The market expectation for interest rate hike led to sharp decline in bulk commodities and non-US currencies in the fourth quarter. Due to the turnaround in the volatility of foreign exchange and commodity market in the last quarter of the year, the total income for the KVB Kunlun Group slightly increased by approximately 6.7%, from approximately HK\$176.7 million for the year ended 31 December 2013 to approximately HK\$188.6 million for the year ended 31 December 2014. The KVB Kunlun Group recorded a profit of approximately HK\$35.1 million for the year ended 31 December 2014, representing a mild increment of 0.9% compared to approximately HK\$34.8 million for the year ended 31 December 2013. The net profit margin remained on a similar level of approximately 19.7% and 18.6% for the two years ended 31 December 2013 and 2014 respectively. Total comprehensive income was approximately HK\$29.8 million for the year ended 31 December 2014, representing a decrease of approximately 9.8% compared to approximately HK\$33.0 million for the year ended 31 December 2013, which was mainly resulted from the increase of currency translation loss from HK\$1.8 million for the year ended 31 December 2013 to HK\$5.3 million for the year ended 31 December 2014.

The leveraged foreign exchange and other trading income of the KVB Kunlun Group increased by approximately 6.4% to approximately HK\$144.2 million for the year ended 31 December 2014 from approximately HK\$135.5 million for the year ended 31 December 2013. The cash dealing income of the KVB Kunlun Group increased by approximately 44.6% from approximately HK\$11.5 million for the year ended 31 December 2013 to HK\$16.6 million for the year ended 31 December 2014. The above-mentioned increments in leveraged foreign exchange and other trading income segment and cash dealing income segment were mainly attributable to the rally in the foreign exchange and commodity market in the second half of the year ended 31 December 2014. The turnover from the KVB Kunlun Group's New Zealand margin dealing sector accounted for approximately 87.7% of the total turnover in the year 2014.

For the three months ended 31 March 2015

Pursuant to its Quarterly Report 2015, the KVB Kunlun Group recorded total revenue of approximately HK\$56.2 million for the three months ended 31 March 2015, representing an increase of approximately 1.32 times compared to approximately HK\$24.3 million for the three months ended 31 March 2014. The KVB Kunlun Group

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

recorded a profit of HK\$12.6 million for the 3 months ended 31 March 2015 compared to the loss of HK\$7.1 million for the same period last year. The increases in both total income and profit are mainly due to (i) higher volatility in the forex and commodity market; (ii) higher trading volume during the 3 months ended 31 March 2015 compared to the same period last year; (iii) gain on period-end translation of monetary assets denominated in foreign currency into the local reporting currency by a wholly-owned subsidiary of KVB Kunlun, KVB Kunlun New Zealand Limited; and (iv) the appreciation of the USD/NZD exchange rate from approximately 1.2760 as at 31 December 2014 to 1.3387 as at 31 March 2015.

We further summarise the audited financial position of the KVB Kunlun Group as at 31 December 2014:

	As at 31 December 2014 <i>HK\$'000</i> <i>(audited)</i>
Non-current assets	13,092
Current assets	<u>613,418</u>
Total assets	<u>626,510</u>
Non-current liabilities	206
Current liabilities	<u>233,581</u>
Total liabilities	<u>233,787</u>
Net assets	<u><u>392,723</u></u>

Source: Annual Reports

The total assets of the KVB Kunlun Group amounted to approximately HK\$626.5 million as at 31 December 2014. As at 31 December 2014, derivative financial instruments (HK\$55.5 million) and cash and bank balances and client trust bank balances (HK\$539.2 million) were the major assets of the KVB Kunlun Group, which together accounted for approximately 94.9% of the total assets of the KVB Kunlun Group. The total liabilities of the KVB Kunlun Group amounted to approximately HK\$233.8 million as at 31 December 2014. As at 31 December 2014, clients' balances (HK\$203.9 million) were the major items of total liabilities of the KVB Kunlun Group, which accounted for approximately 87.2% of total liabilities of the KVB Kunlun Group. The net asset value of the KVB Kunlun Group amounted to approximately HK\$392.7 million as at 31 December 2014.

2. Future prospect of the KVB Kunlun Group

As advised by the management of KVB Kunlun, from a perspective of macro economy, (i) the new wave of internet finance has brought active use of financing, payment and other banking services through internet; (ii) China's financial reform with exchange rate marketization, which China gradually establishes a market-based and a managed floating RMB exchange rate system, gradually allows fluctuation and flexibility of RMB exchange rate. It also means a more decisive role for the market in the RMB exchange rate and provides an opportunity for the KVB Kunlun Group to launch new RMB financial instruments, such as the USDCNH trading currency pair; and (iii) China's offshore finance development, which permits overseas investments, trading and financing in RMB, will bring lucrative overseas business opportunities to the main revenue generator of the KVB Kunlun Group, being the foreign exchange and other brokerage business.

As stated in its listing document, the business objectives of the KVB Kunlun Group are to become a major financial institution in the financial services market targeting overseas Chinese and Japanese worldwide and a major financial institution in the leveraged trading market. Through utilising the funding from the initial public offering, the KVB Kunlun Group has endeavored to achieve the aforementioned target. For worldwide expansion of operations, the KVB Kunlun Group has established a new PRC subsidiary in Zhuhai City Hengqin New District on 5 March 2014 to follow the above-mentioned mega trend and further penetrate to the PRC market. As stated in its listing document, the KVB Kunlun Group in Australia and New Zealand has been working closely with selected third party referral parties and there have been well-established programs for such parties who refer their clients to use the products and services of the KVB Kunlun Group in return for commission. Further, the KVB Kunlun Group launched new marketing channels namely, Baidu and Google Advertising, to expand its local market share in addition to its well-developed referral client base. In consideration of the positive financial position and favorable market trend in terms of internet finance, China's financial reform with exchange rate marketization and China's offshore finance development, the KVB Kunlun Group targets to continuously expand its operations in the worldwide overseas Chinese and Japanese communities and increase in the range of financial services and products. The KVB Kunlun Group has just launched China Stock Index 300 and Australia Stock Market Index for stock index trading, copper contracts for leveraged commodity trading and USDCNH for foreign exchange trading for the year ended 31 December 2014. The KVB Kunlun Group upgraded its trading platform by revamping the corresponding network in order to keep on improving the efficiency, securities, availability and manageability of the online trading platform. As a mean to achieve strategic growth through mergers and acquisitions, the KVB Kunlun Group has introduced CITIC Securities as the strategic controlling shareholder. Upon Completion, the Offeror has become the controlling shareholder of the KVB Kunlun Group. With reference to the annual report for the year ended 31 December 2014, the executive directors of KVB Kunlun are of the view that CITIC Securities, as one of the most progressive and globalised leading full-fledged securities services companies in China, will bring rich strategic resources and support for the long-term benefits of the KVB Kunlun Group and KVB Shareholders. The board of KVB Kunlun considers the outlook on the business of the KVB Kunlun Group, in particular, in terms of the financial performance and megatrend in the market, is relatively positive. In addition, the forex market is expected to be volatile in 2015 due to the uncertainties in the interest rate market and the monetary policies in the US.

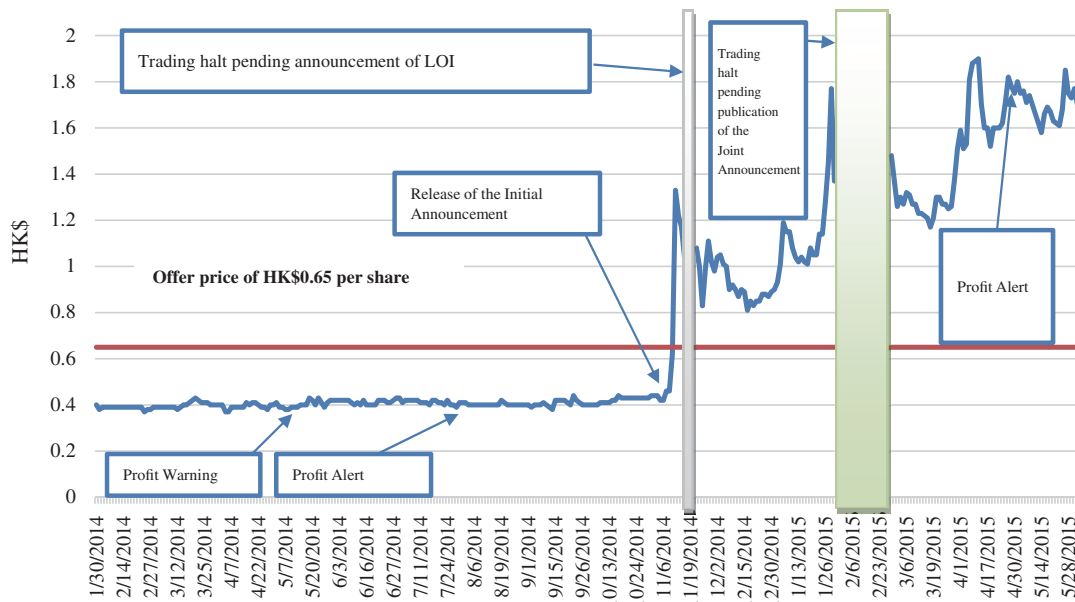
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We note that the business and profitability of the KVB Kunlun Group depend on the volatility of forex and commodity markets which is beyond the control of the KVB Kunlun Group. Despite (a) the remarkable growth in financial performance of the KVB Kunlun Group since second half of 2014; and (b) CITIC Securities is one of the leading full-service securities companies in China which offers a wide range of products and services to a large and diverse client base and pursuant to the letter from CITIC Securities Corporate Finance (HK) Limited, the Offeror intends to continue KVB Kunlun's Group's existing principal activities, no detailed business plan has been laid down by the Offeror on the future development of the KVB Kunlun Group. Accordingly, it is uncertain as to how the KVB Kunlun Group would operate and develop its business operation after the close of the Share Offer. In this regard, we are unable to attach too much weight on this factor in the perspective of assessing the terms of the Share Offer.

3. Historical KVB Share price performance and trading liquidity

i. Historical KVB Share price performance

Set out below is the daily closing price of KVB Shares as quoted on the Stock Exchange for the period commencing from 30 January 2014, being the 12 month period prior to the Last Trading Day and further up to the Latest Practicable Date (the "Review Period") as follows:



Source: Infocast and the Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During the Review Period, the lowest and highest closing prices of KVB Shares as quoted on the Stock Exchange were HK\$0.37 per KVB Share recorded on 25 February 2014, 3 April 2014 and 4 April 2014 and HK\$1.90 per KVB Share recorded on 14 April 2015 respectively. As illustrated in the above diagram, the Share Offer Price of HK\$0.65 is within the range of the lowest and highest closing prices of KVB Shares during the Review Period. Despite separate profit warning and alert announcements have been made, prices of the Shares during the entire interval of the Review Period prior to the publication of the Initial Announcement (the “Pre-Announcement Period”) remained stable at the level of around HK\$0.4. The Share Offer Price represents a premium of around 62.5% over the price level of HK\$0.40 per Share. After the publication of the Initial Announcement on 11 November 2014, the closing prices of the KVB Shares increased significantly and after the further publication of the announcement of the LOI on 20 November 2015, the closing prices of the KVB Shares fluctuated and increased further to HK\$1.37 per KVB Share on 29 January 2015, being the last full business day prior to the date on which the KVB Shares on the Stock Exchange was suspended pending the publication of the Joint Announcement. From the publication of the Initial Announcement up to 29 January 2015, being the date prior to the KVB Shares on the Stock Exchange was suspended pending the publication of the Joint Announcement, the highest closing price of HK\$1.77 represents a premium of approximately 118.5% over the lowest closing price of the KVB Shares of HK\$0.81 during the Review Period.

Trading of KVB Shares resumed on 27 February 2015. During the period from 27 February 2015 up to the Latest Practicable Date, the highest and lowest closing price as quoted on the Stock Exchange were HK\$1.90 on 14 April 2015 and HK\$1.17 on 18 March 2015 respectively. On 27 April 2015 after trading hours, KVB Kunlun published a profit alert announcement, we noted that the closing price was recorded between HK\$1.58 to HK\$1.82 from 28 April 2015, being the date after the publication of the profit alert announcement, up to the Latest Practicable Date. The closing price per KVB Share was HK\$1.70 as at the Latest Practicable Date. The Share Offer Price of HK\$0.65 falls below the low end of closing prices range during such post resumption period. The highest closing price of HK\$1.90, the lowest closing price of HK\$1.17 and the closing price as at the Latest Practicable Date of HK\$1.70 represents P/E Ratios (as defined below) of approximately 109.48 times, 66.70 times and 97.95 times respectively which are way above the P/E Ratios of the comparables as detailed in the section headed “Comparable Analysis”. We have enquired into the directors of KVB Kunlun regarding the possible reasons for such drastic increase in the KVB Share price after publication of the Initial Announcement and were advised by the directors of KVB Kunlun that, save for the announcement of the possible sale and purchase of the KVB Shares owned by the Vendor, they were not aware of any other matters which might have affected the KVB Share price. We believe that the rapid surge of the closing price of the KVB Shares is likely to be attributable to the positive market reaction to the potential transaction as disclosed in the Initial Announcement and the introduction of CITIC Securities as the strategic controlling shareholder of the KVB Kunlun as detailed in the Joint Announcement. It is noted that CITIC Securities has not yet laid down any detailed business plan for the KVB Kunlun Group as at the Latest Practicable Date. In the event that CITIC Securities does not pursue any business plan or investment opportunities after the close of the Offers and the operations of the KVB Kunlun Group remain unchanged and given that the price level

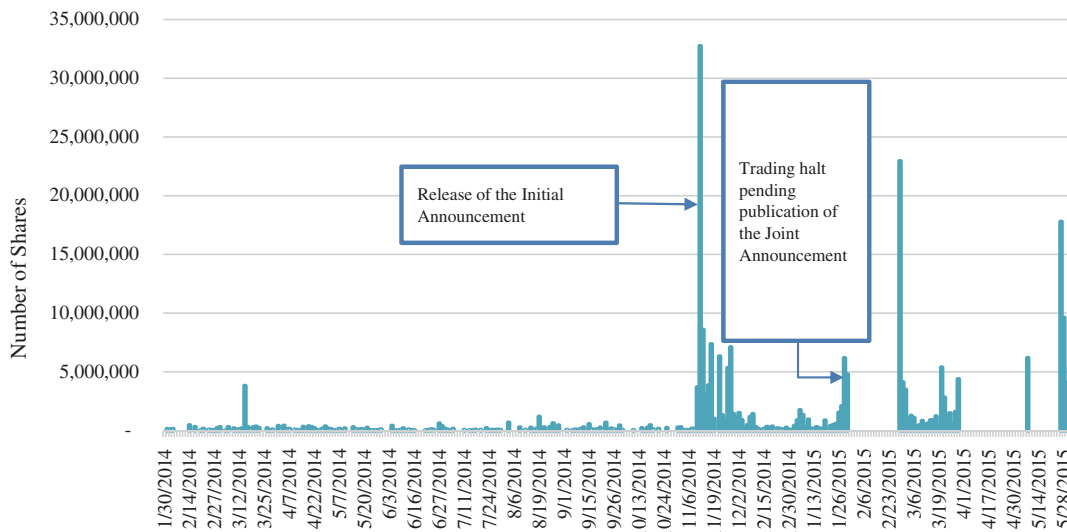
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

during the post resumption period represents extremely high valuation on KVB Kunlun based on the current fundamentals, it is uncertain whether the current market price could be sustained after the close of the Offers.

Having considered that (i) the Share Offer Price is equal to the purchase price per Sale Share under the Share Purchase Agreement; (ii) the Share Offer Price represents a premium of around 62.5% over the price level of around HK\$0.40 per KVB Share during Pre-Announcement Period which we consider is more appropriate to reflect the fundamentals of the KVB Kunlun Group as analysed above; and (iii) it is uncertain whether the current market price could be sustained after the close of the Offers, we are of the view that the Share Offer Price is fair and reasonable so far as the Independent KVB Shareholders are concerned.

ii. Trading liquidity

The following chart shows the daily trading volume of the Shares during the Review Period.



LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The number of trading days, the average daily trading volume of the KVB Shares, and the respective percentages of the KVB Share's daily trading volume as compared to (i) the total number of issued KVB Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued KVB Shares as at the Latest Practicable Date during the Review Period are tabulated as follows:

Month	No. of trading days in each month	Total monthly trading volume	Approximate average daily trading volume	% of average daily trading volume to total number of issued KVB Shares (Note 3)	% of average daily trading volume to no. of KVB Shares held by the public (Note 4)
2014					
February	19	1,600,000	84,211	0.004%	0.02%
March	21	6,520,000	310,476	0.015%	0.06%
April	20	3,445,000	172,250	0.009%	0.03%
May	20	1,450,000	72,500	0.004%	0.01%
June	20	1,985,000	99,250	0.005%	0.02%
July	22	1,060,000	48,182	0.002%	0.01%
August	21	4,505,000	214,524	0.011%	0.04%
September	21	3,425,000	163,095	0.008%	0.03%
October	21	1,710,000	81,429	0.004%	0.02%
November (Note 1)	19	83,259,500	4,382,079	0.217%	0.84%
December	21	9,079,000	432,333	0.021%	0.08%
2015					
January (Note 2)	20	23,330,000	1,166,500	0.058%	0.22%
February (Note 2)	1	22,930,000	22,930,000	1.134%	4.40%
March	22	34,385,000	1,562,955	0.077%	0.30%
April	19	338,803,202	17,831,747	0.882%	3.42%
May	19	124,470,000	6,551,053	0.324%	1.26%
June (and up to and including the Latest Practicable Date)	2	10,980,000	5,490,000	0.272%	1.05%

Source: Infocast

Notes:

- The trading in KVB Shares on the Stock Exchange was halted in the afternoon trading session on 19 November 2014 pending the release of the announcement of LOI.
- The trading in KVB Shares on the Stock Exchange was suspended on 30 January 2015 up to the release of the Joint Announcement on 26 February 2015 and trading of KVB Shares on the Stock Exchange was resumed on 27 February 2015.
- Based on the total number of KVB Shares in issue as at the Latest Practicable Date.
- Based on the total number of KVB Shares held by the public as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We note from the above table that the average daily trading volume of the KVB Shares has been thin in general prior to the release of the Initial Announcement. As illustrated in the table above, during the Review Period prior to November 2014, the month of which the announcement of LOI was issued, the average trading volume of KVB Shares as percentage of the total number of issued KVB Shares ranged from approximately 0.002% to 0.015% which the average daily trading volume of KVB Shares as a percentage of the total number of KVB Shares held by the public ranged from approximately 0.01% to 0.06%. The trading volume increased substantially following the release of the Initial Announcement and remained at a relatively high trading volume as compared to the trading volume prior to the release of the Initial Announcement, which we believe was primarily due to the market reaction to the release of the Initial Announcement and the Joint Announcement and the sustainability of the recent growth in the trading volume could be uncertain.

In view of the generally low liquidity of KVB Shares prior to the release of the Initial Announcement during the Review Period and the liquidity increased only after the release of the Initial Announcement, we considered that the Independent KVB Shareholders or KVB Option Holders (after exercising their KVB Options) who might wish to realise their investment in KVB Kunlun on market may not be able to do so without exerting a downward pressure on the market price of KVB Shares and the Independent KVB Shareholders and the KVB Option Holders may not necessarily receive proceeds reflected by the market price from disposal of KVB Shares in the open market and thus, the Offers furnish an alternative means for Independent KVB Shareholders and the KVB Option Holders to realise their investment in KVB Shares if they so wish.

4. Comparable Analysis

To further assess the fairness and reasonableness of the Share Offer Price, we have adopted Price-to-earnings ratio (“**P/E Ratio**”) and price-to-book ratio (“**P/B Ratio**”) analysis which is a commonly used benchmark in valuing a company. The P/E Ratio and P/B Ratio are calculated based on audited profits attributable to owners from the most recent financial year and the net asset values attributable to the owners of the company from the latest published annual/interim reports or result announcement. The KVB Kunlun Group is principally engaged in provision of leveraged foreign exchange trading services. The brokerage firms in financial services, similar to the KVB Kunlun Group, derive recurrent income from margin financing, commissions and bid-ask spread. In light to the generic business nature, the comparable companies in brokerage business are considered to be the closest benchmark in valuing the KVB Kunlun Group. Therefore, we have identified 7 companies which are listed on the Stock Exchange and engaged in brokerage businesses in the field of financial services that is similar to that of the KVB Kunlun Group to compare the P/E Ratio of the KVB Kunlun Group with that of the comparable listed companies (the “**Comparables**”). Although the trading prospects, financial positions and the underlying financial products provided by the Comparables may not be identical to that of the KVB Kunlun Group, we consider the Comparables have similar business characteristics in respect of nature of products (i.e. financial instruments) and services (e.g. financial brokerage services and margin finance services) and the nature of revenue model

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(e.g. income derived from margin financing, bid-ask spread and commission). We consider the selection of the Comparables can reflect the general business performance and value of similar company like the KVB Kunlun Group. In addition, we consider the increase in the closing prices of the KVB Shares during the period after the release of the Initial Announcement reflected the market reaction on the change of controlling shareholders. The current market capitalisation may not reflect the general business performance and value of the KVB Kunlun Group and the comparable companies with larger capitalisation are not comparable in terms of client bases, technology, capital intensity, financial products varieties, regulatory environment and human resources. Therefore, we selected those with (i) profit-making track record; (ii) sizes similar to that of KVB Kunlun (i.e. with market capitalisation less than HK\$2.6 billion); and (iii) shares trading on the Stock Exchange as at the Last Trading Day. We consider the Comparables set forth in the table below an exhaustive list under such criteria. Summarised below are our relevant findings:

Company name (stock code)	Closing price as at Last Trading Day	Closing price as at Latest Practicable Date	Market capitalisation as at Last Trading Day	Market capitalisation as at Latest Practicable Date	Latest published profit after tax attributable to the owners of the company	Latest published net asset value attributable to owners of the company	As at the Last Trading Day		As at the Latest Practicable Date		
							P/E Ratios	P/B Ratios	P/E Ratios	P/B Ratios	
	(HK\$)	(HK\$)	(Note 1) (HK\$ Million)	(Note 1) (HK\$ Million)	(Note 2) (HK\$ Million)	(Note 3) (HK\$ Million)					
Get Nice (64)	0.333	0.53	1,489.7	3,556.4	487.4	3,814.0	3.06	0.39	7.30	0.93	
Freeman Financial (279)	0.12	0.83	1,238.9	8,569.0	477.3	3,804.3	2.60	0.33	17.95	2.25	
Cinda International (111)	1.43	1.93	916.9	1,237.5	28.2	689.7	32.48	1.33	43.84	1.79	
Sunwah Kingsway Capital (188)	0.176	0.36	809.8	188.3	31.9	707.1	25.41	1.15	59.09	2.66	
Bright Smart Securities & Commodities Group (1428)	1.49	4.26	2,524.4	7,217.5	166.7	1,049	15.14	2.41	43.28	6.88	
Quam (952) (Note 5)	0.49	1.98	585.4	2,873.2	31.6	398.6	18.52	1.47	90.92	7.21	
Orient Securities (8001)	1.62	2.96	583.2	1,065.6	17.9	247.7	32.53	2.35	59.43	4.30	
							MAX	32.53	2.41	90.92	7.21
							MIN	2.60	0.33	7.30	0.93
							MEDIAN	18.52	1.33	43.84	2.66
							AVERAGE	18.53	1.35	45.97	3.72
KVB Kunlun	1.37	1.70	2,740.0	3,436.2	35.1	392.7	78.10	6.98	97.95	8.75	
Share Offer Price	0.65		1,300 (Note 4)		35.1	392.7	37.06	3.31			

Source: The Stock Exchange and published information of the abovementioned companies

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. Unless otherwise specified, market capitalisation is calculated based on the closing price on the Last Trading Day and Latest Practicable Date respectively.
2. Unless otherwise specified, profit after tax attributable to owners of the company refers to the latest financial data as published in the annual report of the Comparables.
3. Unless otherwise specified, net asset value attributable to the owners of the company refers to the latest published accounts.
4. Based on the Share Offer Price of HK\$0.65 per KVB Share multiplied by 2,000,000,000 KVB Shares in issue as at the Last Trading Day.
5. On 28 April 2015, Quam Limited announced that the board has been approached by CMBC International Holdings Limited (“CMBCI”) in respect of a possible subscription of new shares representing from approximately 86.10% to 96.35% of the enlarged share capital and, subject to completion of the possible subscription, CMBCI will make a mandatory general offer to the shareholders of Quam Limited.

Based on the above table, we noted that the P/E Ratios of the Comparables ranged from approximately 2.60 times to 32.53 times as at the Last Trading Day, with a median and an average of approximately 18.52 and 18.53 times respectively. The P/B Ratios of the Comparables ranged from approximately 0.33 time to 2.41 times as at the Last Trading Day, with a median and an average of approximately 1.33 times and 1.35 times respectively. Both the P/E Ratios and P/B Ratios implied by the Share Offer Price of approximately 37.06 times and 3.31 times are above the maximum, median and average P/E Ratios and P/B Ratios of the Comparables as at the Last Trading Day. The P/E Ratios and P/B Ratios implied by the closing price of HK\$1.37 per KVB Share on the Last Trading Day of approximately 78.10 times and 6.98 times respectively. We also note that the P/E Ratios of the Comparables ranged from approximately 7.30 times to 90.92 times as at the Latest Practicable Date, with a median and an average of approximately 43.84 times and 45.97 times respectively. The P/B Ratios of the Comparables ranged from 0.93 times to 7.21 times as at the Latest Practicable Date, with a median and an average of approximately 2.66 times and 3.72 times respectively. Both the P/E Ratios and P/B Ratios as at the Latest Practicable Date implied by the closing price of HK\$1.70 per KVB Shares on the Latest Practicable Date of approximately 97.95 times and 8.75 times respectively which are above the maximum, median and average P/E Ratios and P/B Ratios of the Comparables as at the Latest Practicable Date. Based on the above, which indicating the valuation of KVB Kunlun as implied by the Share Offer Price, closing price of KVB Shares as at the Last Trading Day and closing price of KVB Shares as at the Latest Practicable Date, are higher than those for all the Comparables. In this perspective, we consider the Share Offer Price is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also reviewed all the mandatory cash offers announced by companies listed on the Stock Exchange during the 12 month period prior to the Last Trading Day and identified an exhaustive list of 37 mandatory cash offers (which involved change in controlling shareholders of respective listed companies) initially announced by other listed companies (the “GO Comparables”) during the period. We consider that a review period, being the 12 month period prior to the Last Trading Day, is appropriate to capture the recent market practice and recent market conditions. However, given their discrepancies with the KVB Kunlun Group in terms of business nature, financial performance and financial position, we consider that the GO Comparables might not constitute close reference with the Offers but could be a general market reference. Set out below are the details of the mandatory cash offers announced by other listed companies:

Date of announcement	Company (stock code)	Offer Price	Premium/discount of offer price over/to the closing share price of		
			the last trading day	the last 30 trading days	the trading day immediately before the commencement of the offer period
4/3/2014	Wumart Stores (1025)	4.98	-45.63%	-50.84%	-45.63%
28/3/2014	VXL Capital (727)	0.2151	-62.26%	-47.66%	-60.17%
3/4/2014	Cheong Ming Investments (1196)	0.7	-46.15%	-25.69%	32.08%
7/4/2014	Kwoon Chung Bus (306)	2.3	15.00%	16.50%	-2.13%
7/4/2014	Wing Lee Holdings (876)	1.28	-28.89%	-4.48%	-28.89%
10/4/2014	Sunlink International Holdings (2336)	0.5584	-11.37%	0.02%	-11.37%
30/4/2014	Ares Asia Limited (645)	0.7	-29.29%	-28.86%	-13.58%
23/5/2014	iOne Holdings (982)	0.062	-70.62%	-57.62%	-19.48%
25/6/2014	South China Holdings (265)	0.27425	-42.26%	-36.37%	-27.83%
8/7/2014	Xiezhong International Holdings (3663)	0.9	-8.20%	-1.20%	-8.16%
9/7/2014	Perception Digital Holdings (1822)	0.168	-6.70%	35.50%	52.73%
9/7/2014	Zebra Strategic Holdings (8260)	0.42	10.50%	19.50%	31.25%
10/7/2014	Powerwell Pacific Holdings (8265)	1.4	2.19%	11.11%	34.62%
10/7/2014	HyComm Wireless Limited (499)	1.507	7.64%	23.02%	7.64%
25/7/2014	Sinogreen Energy International Group (1159)	0.35	-94.31%	-92.19%	-94.31%
14/8/14	New Island Development Holdings (377)	0.35	-12.50%	0.86%	-12.50%
21/8/14	CIAM Group (378)	1.7	40.50%	57.12%	40.50%
19/9/14	Group Sense (601)	0.4592	-7.23%	0.92%	45.78%
25/9/14	Digital Hong Kong (8007)	1.6	14.29%	50.94%	14.29%
9/10/14	Qualipak International Holdings (1332)	4.5	-28.34%	-28.82%	-28.34%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company (stock code)	Offer Price	Premium/discount of offer price over/to the closing share price of the trading day immediately before the commencement of the offer period		
			the last trading day	the last 30 trading days	
20/10/14	Chun Wo Development (711)	1.099	8.81%	16.30%	111.00%
6/11/14	Hutchison Harbour Ring (715)	0.5973	-17.04%	-8.25%	-8.11%
10/11/14	Eagle Legend Asia (936)	0.605	-49.60%	-45.00%	-49.58%
27/11/14	Kong Shum Union Property Management (8181)	0.6125	-55.62%	-28.94%	25.00%
5/12/14	Kai Shi China Holdings Company (1281)	0.8568	-41.32%	-36.44%	-41.32%
16/12/14	OTO Holdings (6880)	2.09	8.90%	24.30%	148.81%
18/12/14	Forefront Group Limited (885)	1.2	-24.53%	-18.37%	-24.53%
23/12/14	New Media Group Holdings (708)	1.467	-67.40%	-35.14%	208.84%
23/12/14	South West Eco Development (1908)	3.2668	23.28%	88.83%	119.25%
23/12/14	Lifestyle International Holdings (1212)	14.75	-3.09%	0.20%	-3.09%
24/12/14	ASR Logistics Holdings Limited (1803)	0.5375	-57.30%	-57%	-44.59%
6/1/15	TeleEye Holdings (8051)	18.07	14.37%	33.73%	203.70%
7/1/15	Ports (589)	3	27.10%	16.70%	27.12%
12/1/15	Linmark Group Limited (915)	1.1776	14.33%	84.00%	86.92%
21/1/15	Jin Bao Holdings (1239)	3.734	-60.69%	-57.62%	15.25%
26/1/15	HKC (190)	0.25	17.92%	22.40%	17.92%
27/1/15	Shanghai Zendai (755)	0.2	9.29%	63.93%	9.29%
		Max	40.50%	88.83%	208.84%
		Min	-94.31%	-92.19%	-94.31%
		Average	-17.74%	-2.56%	19.15%
		Median	-11.37%	0.02%	7.64%
	KVB Kunlun	0.65	-52.55%	-38.27%	41.30%

Based on the above table, the offer prices of the GO Comparables ranged from a discount of approximately 94.31% to a premium of approximately 40.50% to/over the closing prices on the last trading day prior to the release of relevant announcements, with an average discount of approximately 17.74%. The Share Offer Price, which represents a discount of approximately 52.55% to the closing KVB Share price on the Last trading Day, is therefore below the average and lies at the low end of the range of the GO Comparables.

Similarly, the offer price of the GO Comparables ranged from a discount of approximately 92.19% to a premium of approximately 88.83% to/over the average closing prices over the last thirty consecutive trading days up to and including last trading day prior to the release of relevant announcements, with an average premium of approximately 2.56%. The Share Offer

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Price, which represents a discount of approximately 38.27% to the average closing KVB Share price over the thirty consecutive trading days up to and including the Last trading Day, is therefore below the average and within the range of the GO Comparables.

However, the offer price of the GO Comparables ranged from a discount of approximately 94.31% to a premium of approximately 208.84% to/over the closing prices on the trading day immediately before the commencement of the Offer Period, with the average and the median of approximately 19.15% and 7.64% respectively. The Share Offer Price, which represents a premium of 41.30% over the closing price on the trading day immediately before the commencement of the Offer Period (i.e. the publication of the Initial Announcement), is above the average, the median and within the range of the GO Comparables.

As explained earlier, the price of the KVB Shares surged drastically after publication of the Initial Announcement and the announcement of LOI and prior to the signing of the Share Purchase Agreement. Accordingly, the respective discounts of 52.55% and 38.27% of the Share Offer Price to its closing price on the Last Trading Day and to the average closing KVB Share price over the thirty consecutive trading days up to and including the Last Trading Day may not be too relevant to compare as the consideration per KVB Share which is equal to the Share Offer Price was negotiated prior to the publication of the announcement of LOI. Given that (i) the Share Offer Price represents a premium of approximately 41.30% over the closing price on the trading day immediately before the publication of the Initial Announcement that is above the average premium of the GO Comparables and the price trend during the Pre-Announcement Period is considered to more appropriately reflect the fundamentals of the KVB Kunlun Group, we consider the Share Offer Price is fair and reasonable so far as the Independent KVB Shareholders are concerned.

6. Background and intention of the Offeror regarding KVB Kunlun

Background of the Offeror

The Offeror was incorporated in Hong Kong with limited liability on 17 April 2015. It is an investment holding company established mainly for the purpose of holding the Sale Shares and making the Offers. The Offeror is a wholly owned subsidiary of CITIC Securities. Save for the holding of the Sale Shares and the matters in relation to the Offers, the Offeror has not conducted any business since its incorporation. As of the Latest Practicable Date, the directors of the Offeror are Mr. Ge Xiaobo, Mr. Liu Wei and Mr. Li Jiong.

Background of CITIC Securities

CITIC Securities is one of the leading full-service securities companies in China that has its shares listing in both Shanghai Stock Exchange (stock code: 600030) and the Stock Exchange (stock code: 6030). CITIC Securities offers a wide range of products and services to a large and diverse client base that includes corporations, financial institutions, governmental entities and individuals. Principle businesses of CITIC Securities include investment banking, brokerage, trading, asset management and investment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the executive directors of CITIC Securities are Mr. Wang Dongming, Mr. Cheng Boming, Mr. Yin Ke and Mr. Liu Lefei, the non-executive director of CITIC Securities is Mr. Fang Jun, and the independent non-executive directors of CITIC Securities are Mr. Wu Xiaoqi, Mr. Lee Kong Wai, Conway and Mr. Rao Geping.

Reason for the acquisition

The acquisition of the Sale Shares by CITIC Securities under the Share Purchase Agreement provides an international platform for the development of global foreign currency trading business of CITIC Securities.

By utilising KVB Kunlun's established foreign currency trading technology, the ForexStar system and its ongoing dealership platform and infrastructure, CITIC Securities can have access to global foreign currency trading business. The completion of the acquisition would allow the large and diverse clientele retained by CITIC Securities to access the global foreign currency business opportunities through its integrated service platform.

The acquisition enriches the client base and sales networks of CITIC Securities which currently mainly cover the onshore market in China and then to expand the international market, which will further strengthen the competing position of CITIC Securities in regional and global market.

Intention of the Offeror regarding the KVB Kunlun Group

Upon Completion, the Offeror has become the controlling shareholder of KVB Kunlun. Following the close of the Offers, the Offeror intends to maintain the listing of the KVB Shares on the Stock Exchange and continue its existing principal business of the KVB Kunlun Group. The Offeror would conduct a review on the financial position and the operations of the KVB Kunlun Group and would formulate business plans and strategies of the KVB Kunlun Group, which would be appropriate to enhance the long-term growth potential of the KVB Kunlun Group. The Offeror has no intention to make substantial changes to the employment matters or to redeploy assets of the KVB Kunlun Group other than those in its ordinary and usual course of business.

Given that (i) CITIC Securities is one of the leading full-service securities companies in China which its shares are listed in Shanghai and Hong Kong; (ii) the Offeror intends to continue KVB Kunlun Group's existing principal activities and will maintain its listing status of KVB Kunlun on the Stock Exchange after closing of the Offers; and (iii) the Offeror has no intention to redeploy the employees or the fixed assets of the KVB Kunlun Group other than those in its ordinary course of business, we consider that there should not be any material change to the KVB Kunlun Group's overall business, operating performance and financial position after the close of the Offers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION ON THE OFFERS

The Share Offer

Taking into consideration the abovementioned principal factors and reasons, in particular, the following:

- (i) the Share Offer Price is equal to the purchase price per Sale Share under the Share Purchase Agreement and the Share Offer Price of HK\$0.65 per KVB Share represents a premium of approximately 41.30% over the closing price of HK\$0.46 per KVB Share as quoted on the Stock Exchange on 10 November 2014, being the last full business day prior to the publication of the Initial Announcement which first disclosed that the controlling shareholder has been approached by a potential buyer to acquire all or part of its shareholding in KVB Kunlun on which date the Offer Period commenced;
- (ii) prices of the KVB Shares during the “Pre-Announcement Period” remained stable at the level of around HK\$0.40 and the Share Offer Price represents a premium of around 62.5% over the price level of HK\$0.40 per KVB Share;
- (iii) both the P/E and the P/B Ratios of KVB Kunlun implied by (i) the Share Offer Price of approximately 37.06 times and 3.31 times; (ii) the closing price of HK\$1.37 per KVB Share on the Last Trading Day of approximately 78.10 times and 6.98 times; and (iii) the closing price of HK\$1.70 per KVB Shares on the Latest Practicable Date of approximately 97.95 times and 8.75 times, are above the maximum, median and average range and the average of P/E Ratios and P/B Ratios of the Comparables, indicating the valuation of KVB Kunlun as implied by the Share Offer Price, closing price of KVB Shares as at the Latest Trading Day and Closing Price of KVB Shares as at the Latest Practicable Date are higher than those for all the Comparables;
- (iv) the average daily trading volume of the KVB Shares has been thin in general prior to the publication of the Initial Announcement and the increase of trading volume of the KVB Shares after the publication of the Initial Announcement was likely to be due to the market reaction to the publication of the Initial Announcement and the Joint Announcement;
- (v) notwithstanding that the price of the KVB Shares surged and maintained at a level higher than the Share Offer Price after the publication of the Initial Announcement and the Share Offer Price represents a discount of approximately 52.55% to the closing price of HK\$1.37 per KVB Share as quoted on the Stock Exchange on the Last Trading Day, the highest closing price of HK\$1.90 and the closing price as at the Latest Practicable Date of HK\$1.70 represent PE ratios of approximately 109.48 times and 97.95 times respectively which are above the PE Ratios of the Comparables as at the Last Trading Day and Latest Practicable Date and the lowest closing price of HK\$1.17 after publication of the Joint Announcement represents PE Ratios of approximately 66.70 times which is above the PE ratios of the Comparables as at the Last Trading Day as detailed in the section headed “Comparable Analysis”.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (vi) Despite (a) the remarkable growth in financial performance of the KVB Kunlun Group since second half of 2014; (b) CITIC Securities is one of the leading full-service securities companies in China which offers a wide range of products and services to a large and diverse client base and pursuant to the letter from CITIC Securities Corporate Finance (HK) Limited, the Offeror intends to continue KVB Kunlun's Group's existing principal activities; and (c) CITIC Securities expects the KVB Kunlun Group to provide a platform for its development of global foreign currency trading business, no detailed business plan has been laid down by the Offeror on the future development of the KVB Group. Accordingly, it is uncertain as to how the KVB Kunlun Group would operate and develop its business operation after the close of the Share Offer. In this regard, we are unable to attach too much weight on this factor in the perspective of assessing the terms of the Share Offer.

we consider that the terms of the Share Offer are not attractive but, on balance, are fair and reasonable so far as the Independent KVB Shareholders are concerned. On such basis, we recommend the independent board committee of KVB Kunlun to advise the Independent KVB Shareholders to accept the Share Offer. **However, the Independent KVB Shareholders should note that the price level of the KVB Shares has been maintaining at a level much higher than the Share Offer Price after the publication of the Joint Announcement up to the Latest Practicable Date. Those Independent KVB Shareholders who intend to accept the Share Offer are strongly reminded to closely monitor the market price and the liquidity of the KVB Shares during the period when the Share Offer remains open for acceptance and should consider selling their KVB Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the sale of such KVB Shares in the open market would exceed the net proceeds receivable under the Share Offer after having regard to the market price and the liquidity of the KVB Shares.**

For those Independent KVB Kunlun Shareholders who are attracted by and confident in the future prospects of the KVB Kunlun Group, given the background and future intention of CITIC Securities as detailed in the letter from CITIC Securities Corporate Finance (HK) Limited in the Composite Document and notwithstanding that no detailed business plan has been laid down by the Offeror, they may consider to retain their KVB Shares in full or in part. We would like to remind the Independent KVB Shareholders that if they consider retaining their KVB Shares or tendering less than all their KVB Shares under the Share Offer, they should carefully consider the potential difficulties they may encounter in disposing of their investments in the KVB Shares after the close of the Share Offer in view of the historical low liquidity of the KVB Shares and there is no guarantee that the prevailing level of the share price will sustain during and after the Offer Period.

The Independent KVB Shareholders are strongly advised that the decision to accept the Share Offer or to hold their investment in the KVB Shares is subject to individual circumstances and investment objectives. The Independent KVB Shareholders are also reminded to read carefully the procedures for accepting the Share Offer as detailed in the Composite Document, the appendices to the Composite Document and the relevant form of acceptance and transfer, if they wish to accept the Share Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Option Offer

Upon assessing the terms of the Option Offer, we envisage that the adoption of a “see-through” price (representing the difference between the offer price for ordinary shares and any given exercise price of the option) is commonly regarded as the minimum offer price for the cancellation of any option/any convertible instruction in conjunction with a general offer for ordinary shares after taking into account the relevant share offer price under a general offer. On such basis, the KVB Options with exercise price of HK\$0.414 per KVB Share would command a “see-through” price of HK\$0.236 per KVB Share (being HK\$0.65 – HK\$0.414) representing the difference between the Share Offer Price and the exercise price of the KVB Options. Should the KVB Option Holders elect to accept the Option Offer, they will receive HK\$0.236 per KVB Option in cash. Whilst we consider the Share Offer Price fair and reasonable based on, among other things, the reasons and factors as discussed under the above sections headed “The Share Offer” in this letter, we are of the view that the terms of the Option Offer are fair and reasonable so far as the KVB Option Holders are concerned. Accordingly we recommend the independent board committee of KVB Kunlun to recommend to the KVB Option Holders to accept the Option Offer.

However the KVB Option Holders who wish to realise whole or part of their KVB Options should consider exercising their KVB Options (to the extent exercisable) and selling the KVB Shares so converted in the open market, rather than accepting the Option Offer, if the net proceeds from such sales (after deducting all transaction costs) would exceed the net amount receivable under the Option Offer. The KVB Option Holders should exercise caution in doing so and monitor the market closely.

The KVB Option Holders are strongly advised that the decision to accept the Option Offer or to exercise KVB Options and hold their investment in KVB Shares is subject to individual circumstances and investment objectives. In addition, the KVB Option Holders should note that under the rules of the share option scheme adopted by KVB Kunlun on 3 June 2013, all KVB Options (to the extent not exercised) will lapse automatically on the expiry date of one month period after the date on which the Share Offer becomes or is declared unconditional (within the meaning of the Takeovers Code). Nothing in this Composite Document or the Option Offer will serve to extend the life of any KVB Option which lapses under the share option scheme adopted by KVB Kunlun on 3 June 2013. No exercise of KVB Options or acceptance of the Option Offer may be made in relation to any KVB Option that has lapsed.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung
Managing Director

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Takeovers Code.

1. PROCEDURES FOR ACCEPTANCE

To accept any of the Offers, you should complete and sign the relevant accompanying Form(s) of Acceptance in accordance with the instructions printed thereon, which instructions forms part of the terms of the relevant Offers.

1.1 The Share Offer

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your KVB Shares is/are in your name, and you wish to accept the Share Offer in respect of your KVB Shares (whether in full or in part), you must send the **WHITE** Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong marked “KVB Kunlun Financial Group Limited – Share Offer” on the envelope as soon as possible but in any event so as to reach the Registrar by not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your KVB Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your KVB Shares (whether in full or in part), you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your KVB Shares with the nominee company, or other nominee, and with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the **WHITE** Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your KVB Shares to the Registrar; or
 - (ii) arrange for the KVB Shares to be registered in your name by KVB Kunlun through the Registrar, and deliver the **WHITE** Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your KVB Shares to the Registrar; or

- (iii) if your KVB Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
- (iv) if your KVB Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If you have lodged transfer(s) of any of your KVB Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your KVB Shares, you should nevertheless complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to the Offeror and/or CITIC Securities Corporate Finance (HK) Limited and/or their respective agent(s) to collect from KVB Kunlun or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance.
- (d) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your KVB Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your KVB Shares, the **WHITE** Form of Share Offer Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your KVB Shares or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your KVB Shares should be forwarded to the Registrar as soon as possible thereafter. If you have lost the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your KVB Shares, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be provided to the Registrar.

- (e) Acceptance of the Share Offer will be treated as valid only if the completed and signed **WHITE** Form of Share Offer Acceptance is received by the Registrar on or before the latest time for the acceptance of the Share Offer and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your KVB Shares and, if that/those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant KVB Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant KVB Shares; or
 - (ii) from a registered KVB Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the KVB Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (f) Seller's ad valorem stamp duty payable by the KVB Shareholders who accept the Share Offer and calculated at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is the higher, will be deducted from the amount payable by the Offeror to the relevant KVB Shareholders on the acceptance of the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the KVB Shareholders who accept the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.
- (g) No acknowledgement of receipt of any **WHITE** Form of Share Offer Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your KVB Shares will be given.

1.2 The Option Offer

- (a) If you are a KVB Option Holder and you wish to accept the Option Offer in respect of your KVB Options (whether in full or in part), you must send the duly completed and signed **YELLOW** Form of Option Offer Acceptance together with the relevant certificate(s) or other documents (if any) evidencing the grant of the KVB Options

to you and any documents of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) for the aggregate principal amount of KVB Options which you hold that you wish to tender to the Option Offer to the company secretary of KVB Kunlun at Suites 7501 & 7508, 75/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, marked “KVB Kunlun Financial Group Limited – Option Offer” on the envelope as soon as possible but in any event so as to reach the company secretary of KVB Kunlun by not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

- (b) No stamp duty will be deducted from the amount paid or payable to the KVB Option Holder(s) who accept(s) the Option Offer.
- (c) No acknowledgement of receipt of any **YELLOW** Form of Option Offer Acceptance and/or the certificate(s) or other documents (if any) evidencing the grant of the KVB Options to you and any documents of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the KVB Options will be given.

1.3 General

Subject to the terms of the Takeovers Code, acceptance(s) of the Offers may, at the discretion of the Offeror, be treated as valid even if not entirely in order or not accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), but, in such cases, the consideration due will not be despatched until the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) has/have been received by the Registrar.

2. SETTLEMENT UNDER THE OFFERS

2.1 The Share Offer

Provided that a valid **WHITE** Form of Share Offer Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant KVB Shares as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order and in all respects and have been received by the Registrar by 4:00 p.m. on the Closing Date of the Share Offer, a cheque for the amount due to each of the KVB Shareholders who accept the Share Offer less seller’s ad valorem stamp duty in respect of the Offer Shares tendered by him/her/it under the Share Offer will be despatched to such Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) business days following the date on which the duly completed acceptances of the Share Offer and the relevant documents of title in respect of such acceptances are received by the Registrar to render each such acceptance complete and valid.

2.2 The Option Offer

Provided that a valid **YELLOW** Form of Option Offer Acceptance and the relevant option certificate(s) or other documents (if any) evidencing the grant of the KVB Options and any documents of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant KVB Options are complete and in good order and in all respects and have been received by the company secretary of KVB Kunlun before the close of the Option Offer, a cheque for the amount due to each of the KVB Option Holders who accept the Option Offer in respect of the KVB Options tendered by him/her/it under the Option Offer will be despatched to such KVB Option Holder by ordinary post at his/her/its own risk to the company secretary of KVB Kunlun at Suites 7501 & 7508, 75/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong for collection as soon as possible but in any event within seven (7) business days of the date on which the duly completed acceptances of the Option Offer and the relevant documents of title in respect of such acceptances are received by the company secretary of KVB Kunlun to render each such acceptance complete and valid.

Settlement of the consideration to which any KVB Shareholder or KVB Option Holder is entitled under the Share Offer or the Option Offer, as the case may be, will be implemented in full in accordance with its terms (save in respect of the payment of the seller's ad valorem stamp duty of the Share Offer) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such KVB Shareholder or KVB Option Holder.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offers have previously been revised or extended with the consent of the Executive, to be valid, the **WHITE** Form of Share Offer Acceptance must be received by the Registrar and the **YELLOW** Form of Option Offer Acceptance must be received by the company secretary of KVB Kunlun, in each case, in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date.
- (b) If the Offers are extended, the Offeror will issue an announcement in relation to any extension of the Offers, which announcement will state either the next Closing Date or, a statement that the Offers will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing must be given before the Offers are closed to those KVB Shareholders and KVB Option Holders who have not accepted the relevant Offers before the Offers are closed. If, in the course of the Offers, the Offeror revises the terms of the Offers, all KVB Shareholders and KVB Option Holders, whether or not they have already accepted the Offers, will benefit under the revised terms. A revised offer must be kept open for at least fourteen (14) days following the date on which the revised offer document is posted.
- (c) If the Closing Date is extended, any reference in this Composite Document and in the Form(s) of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.

4. NOMINEE REGISTRATION

To ensure equality of treatment of all KVB Shareholders, those KVB Shareholders and KVB Option Holders who hold KVB Shares or KVB Options as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the KVB Shares and KVB Options whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offers.

5. EXERCISE OF KVB OPTIONS

The KVB Option Holder who wishes to accept the Share Offer may (i) exercise his/her/its KVB Options (to the extent exercisable) by completing, signing and delivering a notice for exercising the KVB Options together with a cheque for payment of the subscription monies and the related certificates (if applicable) for the KVB Options to KVB Kunlun before the close of the Option Offer; and (ii) at the same time, or in any event no later than 4:00 p.m. on the Closing Date, complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Registrar together with a copy of the set of documents delivered to KVB Kunlun for exercising the KVB Options. Exercise of the KVB Options is subject to the terms and conditions of the share option scheme adopted by KVB Kunlun on 3 June 2013 and the terms attaching to the grant of the relevant KVB Options. Delivery of the completed and signed **WHITE** Form of Share Offer Acceptance to the Registrar will not serve to complete the exercise of the KVB Options but will only be deemed to be an irrevocable authority to the Offeror and/or CITIC Securities Corporate Finance (HK) Limited and/or any of their respective agent(s) or such other person(s) as they may direct to collect from KVB Kunlun or the Registrar on his/her/its behalf the relevant share certificate(s) when issued on exercise of the KVB Options as if it/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance. If the KVB Option Holder fails to exercise his/her/its KVB Options as aforesaid and in accordance with the terms and conditions of the share option scheme adopted by KVB Kunlun on 3 June 2013, there is no guarantee that KVB Kunlun may issue the relevant share certificate in respect of the KVB Shares allotted pursuant to his/her/its exercise of the KVB Options to such KVB Option Holder in time for it to accept the Share Offer as a KVB Shareholder of such KVB Shares under the terms of the Share Offer.

6. LAPSE OF KVB OPTIONS

As referred to in the paragraph headed “Effect of accepting the Offers” in the “Letter from CITIC Securities Corporate Finance (HK) Limited” contained in this Composite Document, the KVB Option Holders should note that under the rules of the share option scheme adopted by KVB Kunlun on 3 June 2013, all KVB Options (to the extent not exercised) will lapse automatically on the expiry date of one month period after the date on which the Share Offer becomes or is declared unconditional (within the meaning of the Takeovers Code). Nothing in this Composite Document or the Option Offer will serve to extend the life of any KVB Option which lapses under the share option scheme adopted by KVB Kunlun on 3 June 2013. No exercise of KVB Options or acceptance of the Option Offer may be made in relation to any KVB Option that has lapsed.

7. ANNOUNCEMENTS

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the expiry, revision and extension of the Offers. The Offeror must publish an announcement in accordance with the Takeovers Code on the Stock Exchange's website by 7:00 p.m. the Closing Date stating the results of the Offers and whether the Offers have been revised, extended or expired. The announcement will state the following:
- (i) the total number of KVB Shares and rights over KVB Shares for which acceptances of the Share Offer have been received;
 - (ii) the total number of KVB Options for which acceptances of the Option Offer have been received;
 - (iii) the total number of KVB Shares, rights over KVB Shares and KVB Options held, controlled or directed by the Offeror and parties acting in concert with it before the Offer Period; and
 - (iv) the total number of KVB Shares, rights over KVB Shares and KVB Options acquired or agreed to be acquired during the Offer Period by the Offeror and parties acting in concert with it.

The announcement must also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in KVB Kunlun which the Offeror or any person acting in concert with it has borrowed or lent (save for any borrowed KVB Shares which have been either on lent or sold) and specify the percentages of the issued share capital of KVB Kunlun and the percentages of voting rights of KVB Kunlun represented by these numbers.

- (b) In computing the total number of KVB Shares and KVB Options represented by acceptances, only valid acceptances that are complete and in good order, and which have been received by the Registrar (in the case of the Share Offer) or the company secretary of KVB Kunlun (in the case of the Option Offer), no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offers, shall be included.
- (c) As required under the Takeovers Code, all announcements in relation to the Offers will be made in accordance with the requirements of the Takeovers Code and the GEM Listing Rules.

8. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offers tendered by the KVB Shareholders and the KVB Option Holders (as the case may be) shall be irrevocable and cannot be withdrawn, except in the circumstances set out in paragraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “Announcements” above, the Executive may require that the Independent KVB Shareholders and the KVB Option Holders who have tendered acceptances of the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

9. OVERSEAS KVB SHAREHOLDERS AND OVERSEAS KVB OPTION HOLDERS

The making of the Offers to the Overseas KVB Shareholders and the Overseas KVB Option Holders may be affected by the laws of the relevant jurisdictions. The Overseas KVB Shareholders and the Overseas KVB Option Holders should observe any applicable legal or regulatory requirements. The Overseas KVB Shareholders and the Overseas KVB Option Holders should obtain appropriate legal advice regarding the implications of the Offers in the relevant jurisdictions with a view to observing any applicable legal or regulatory requirements. It is the responsibility of the Overseas KVB Shareholders and the Overseas KVB Option Holders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or regulatory or legal requirements. The Overseas KVB Shareholders and the Overseas KVB Option Holders will also be fully responsible for the payment of any transfer or other taxes and duties by the accepting Overseas KVB Shareholders or Overseas KVB Option Holders payable in respect of all relevant jurisdictions. Acceptance of the Offers by the Overseas KVB Shareholders and the Overseas KVB Option Holders will constitute a representation and warranty by such person that the local laws and requirements have been complied with and such person is permitted under all applicable laws to receive and accept the Offers, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty.

10. GENERAL

- (i) All communications, notices, Form(s) of Acceptance, share certificates, certificate(s) of KVB Options, transfer receipts (as the case may be), other documents of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the KVB Shareholders and/or the KVB Option Holders will be delivered by or sent to or from them, or their designated agents, by

ordinary post at their own risk, and none of KVB Kunlun, CITIC Securities, the Offeror, CITIC Securities Corporate Finance (HK) Limited, Octal Capital Limited and any of their respective agents nor the Registrar or the company secretary of KVB Kunlun or other parties involved in the Offers accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

- (ii) The provisions set out in the accompanying Form(s) of Acceptance form part of the terms and conditions of the Offers.
- (iii) The accidental omission to despatch this Composite Document and/or Form(s) of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (iv) The Offers and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (v) Due execution of the Form(s) of Acceptance will constitute an authority to the Offeror, CITIC Securities Corporate Finance (HK) Limited, or such person or persons as the Offeror may direct, to complete and execute any document on behalf of the person or persons accepting the Offers, and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct the KVB Shares and/or the KVB Options in respect of which such person or persons has accepted the Offers.
- (vi) Acceptance of the Offers by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the KVB Shares and/or the KVB Options (as the case may be) sold to the Offeror free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached to them as at the date of this Composite Document or subsequently becoming attached to them, including the right to the receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Share Offer is made, being the date of the posting of this Composite Document. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty.
- (vii) Reference to the Offers in this Composite Document and in the Form(s) of Acceptance shall include any extension or revision thereof.

1. THREE-YEAR SUMMARY OF FINANCIAL INFORMATION

The following is a summary of KVB Kunlun Group's financial information for the year ended 31 December 2012 which is extracted from the accountants' report as set forth in KVB Kunlun Group's prospectus dated 11 June 2013, financial information for the years ended 31 December 2013 and 31 December 2014 which is extracted from the consolidated financial statements of KVB Kunlun Group as set forth in the annual reports of KVB Kunlun Group for the years ended 31 December 2013 and 31 December 2014 and financial information for the three months ended 31 March 2015 which is extracted from the unaudited condensed consolidated financial information of KVB Kunlun Group as set forth in the quarterly report of KVB Kunlun Group for the three months ended 31 March 2015.

	For the three months ended 31 March 2015 (Unaudited) HK\$'000	2014 (Audited) HK\$'000	For the year ended 31 December	
			2013 (Audited) HK\$'000	2012 (Audited) HK\$'000
Turnover	56,183	188,634	176,719	123,222
Profit before tax	16,431	47,697	50,130	2,432
Profit/(loss) for the year/period	12,582	35,081	34,774	(1,749)
Total comprehensive income for the year/period	7,787	29,785	33,010	2,837
Taxation	(3,849)	(12,616)	(15,356)	(4,181)
Dividend	(12,500)	(35,000)	(39,500)	(14,000)
Dividend per share (HK cents)	(0.618)	(1.75)	(2.16)	(0.88)
Profit/(loss) per share (HK cents)	0.63	1.75	1.90	(0.11)
Profit/(loss) for the year/period attributable to:				
Owners of KVB Kunlun	12,582	35,081	34,774	(1,749)
Non-controlling interests	–	–	–	–

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

	As at	As at 31 December		
	31 March	2014	2013	2012
	(Unaudited)	(Audited)	(Audited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	663,756	625,510	569,993	408,006
Total liabilities	(263,078)	(233,787)	(187,894)	(175,254)
Net current assets	389,098	379,837	375,403	226,470
Total assets less current liabilities	400,807	392,929	382,374	233,131

- (i) The auditors of KVB Kunlun Group for the financial years ended 31 December 2012, 31 December 2013 and 31 December 2014 did not issue any qualified opinion on the consolidated financial information of KVB Kunlun Group for the years ended 31 December 2012, 31 December 2013 and 31 December 2014.
- (ii) There were no extraordinary items or items which were exceptional because of its size, nature or incidence for KVB Kunlun during each of the three years ended 31 December 2014.
- (iii) There were no profits or loss attributable to minority interests of KVB Kunlun for the three years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015.

2. FINANCIAL INFORMATION OF THE FORMER GROUP

The financial information of KVB Kunlun Group below is extracted from KVB Kunlun Group's prospectus dated 11 June 2013 and annual reports for years ended 31 December 2013 and 2014.

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Leveraged foreign exchange and other trading income	5	144,207	135,543	86,951
Cash dealing income	5	16,636	11,505	9,310
Other income	6	27,791	29,671	26,961
Total income		188,634	176,719	123,222
Fees and commission expenses		61,127	57,768	48,804
Staff costs	7	36,545	30,819	29,532
Depreciation and amortisation		3,138	2,550	2,307
Lease payments under land and buildings		6,462	5,873	5,777
Administrative and other operating expenses	8	33,645	29,456	34,064
Total expenses		140,917	126,466	120,484
Operating profit		47,717	50,253	2,738
Finance cost		(20)	(123)	(306)
Profit before tax		47,697	50,130	2,432
Income tax expense	9	(12,616)	(15,356)	(4,181)
Profit for the year		35,081	34,774	(1,749)
Other comprehensive income				
<i>Item that may be reclassified to profit or loss</i>				
Currency translation difference		(5,296)	(1,764)	4,586
Other comprehensive income for the year, net of tax		(5,296)	(1,764)	4,586
Total comprehensive income for the year		29,785	33,010	2,837
Earnings per share for profit attributable to the equity holders of KVB Kunlun for the year				
– Basic (HK cents per share)	11	1.75	1.90	(0.11)
– Diluted (HK cents per share)	11	1.75	1.90	(0.11)
Dividends	10	35,000	39,500	14,000

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2014

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
ASSETS				
Non-current assets				
Property, plant and equipment	<i>12</i>	7,062	6,301	5,894
Intangible assets	<i>13</i>	5,083	257	329
Deferred tax assets	<i>19</i>	947	413	438
		<u>13,092</u>	<u>6,971</u>	<u>6,661</u>
Current assets				
Tax prepayments		–	567	1,742
Other assets and prepayments	<i>14</i>	6,590	4,973	8,662
Amounts due from ultimate holding company	<i>27</i>	–	23	–
Amounts due from fellow subsidiaries	<i>27</i>	–	75	201
Derivative financial instruments	<i>15</i>	55,544	56,594	36,571
Balances due from agents	<i>16</i>	12,099	16,910	14,037
Cash and bank balances and client trust bank balances	<i>17</i>	539,185	483,880	340,132
Total current assets		<u>613,418</u>	<u>563,022</u>	<u>401,345</u>
Total assets		<u>626,510</u>	<u>569,993</u>	<u>408,006</u>
EQUITY AND LIABILITIES				
Share capital	<i>22</i>	20,000	20,000	100
Reserves		342,746	343,703	235,530
Retained earnings		29,977	18,396	(2,878)
Total equity		<u>392,723</u>	<u>382,099</u>	<u>232,752</u>
Current liabilities				
Finance lease obligations	<i>18</i>	41	45	151
Current income tax liabilities		7,358	3,068	328
Other payables and accrued liabilities	<i>20</i>	17,158	12,189	15,247
Amounts due to fellow subsidiaries	<i>27</i>	488	312	698
Amounts due to ultimate holding company	<i>27</i>	–	–	3,683
Derivative financial instruments	<i>15</i>	4,662	2,579	7,178
Clients' balances	<i>21</i>	203,874	169,426	147,590
		<u>233,581</u>	<u>187,619</u>	<u>174,875</u>
Non-current liabilities				
Finance lease obligations	<i>18</i>	73	126	197
Deferred tax liabilities	<i>19</i>	133	149	182
		<u>206</u>	<u>275</u>	<u>379</u>
Total liabilities		<u>233,787</u>	<u>187,894</u>	<u>175,254</u>
Total equity and liabilities		<u>626,510</u>	<u>569,993</u>	<u>408,006</u>
Net current assets		<u>379,837</u>	<u>375,403</u>	<u>226,470</u>
Total assets less current liabilities		<u>392,929</u>	<u>382,374</u>	<u>233,131</u>

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

**BALANCE SHEET OF KVB KUNLUN
AS AT 31 DECEMBER 2014**

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
ASSETS				
Non-current assets				
Investment in a subsidiary	26	8,109	1	1
		8,109	1	1
Current assets				
Cash and bank balances		139,663	123,745	32,014
Amounts due from a subsidiary	27	64,653	65,907	23,252
Amounts due from ultimate holding company	27	–	12	–
Prepayments		611	675	4,990
Total current assets		204,927	190,339	60,256
Total assets		213,036	190,340	60,257
EQUITY AND LIABILITIES				
Share capital	22	20,000	20,000	100
Reserves		171,378	166,928	56,991
Retained earnings		6,028	1,335	(13,086)
Total equity		197,406	188,263	44,005
Current liabilities				
Amounts due to subsidiaries	27	13,901	663	9,269
Other payables and accrued liabilities	20	1,729	1,414	6,983
Total liabilities		15,630	2,077	16,252
Total equity and liabilities		213,036	190,340	60,257
Net current assets		189,297	188,262	44,004
Total assets less current liabilities		197,406	188,263	44,005

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	<i>Note</i>	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Currency translation reserve <i>HK\$'000</i>	Retained earnings/ (accumulated losses) <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2012		–	–	171,892	–	2,061	12,871	186,824
Proceeds from shares issued		100	56,991	–	–	–	–	57,091
Comprehensive income								
Loss for the year		–	–	–	–	–	(1,749)	(1,749)
Other comprehensive income for the year		–	–	–	–	4,586	–	4,586
Dividends		–	–	–	–	–	(14,000)	(14,000)
Balance at 31 December 2012		<u>100</u>	<u>56,991</u>	<u>171,892</u>	<u>–</u>	<u>6,647</u>	<u>(2,878)</u>	<u>232,752</u>
At 1 January 2013		100	56,991	171,892	–	6,647	(2,878)	232,752
Comprehensive income								
Profit for the year		–	–	–	–	–	34,774	34,774
Other comprehensive income for the year		–	–	–	–	(1,764)	–	(1,764)
Capitalisation issue	22	100 16,467	56,991 (16,467)	171,892 –	– –	4,883 –	31,896 –	265,762 –
Placing of new shares	22	3,433	151,758	–	–	–	–	155,191
Shares issue expenses		–	(9,354)	–	–	–	–	(9,354)
Dividends	10	–	(16,000)	–	–	–	(13,500)	(29,500)
Balance at 31 December 2013		<u>20,000</u>	<u>166,928</u>	<u>171,892</u>	<u>–</u>	<u>4,883</u>	<u>18,396</u>	<u>382,099</u>
At 1 January 2014		20,000	166,928	171,892	–	4,883	18,396	382,099
Comprehensive income								
Profit for the year		–	–	–	–	–	35,081	35,081
Other comprehensive income for the year		–	–	–	–	(5,296)	–	(5,296)
Share option scheme	24	20,000 –	166,928 –	171,892 –	– 4,339	(413) –	53,477 –	411,884 4,339
Dividends	10	–	–	–	–	–	(23,500)	(23,500)
Balance at 31 December 2014		<u>20,000</u>	<u>166,928</u>	<u>171,892</u>	<u>4,339</u>	<u>(413)</u>	<u>29,977</u>	<u>392,723</u>

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Cash flows from operating activities				
Profit before tax		47,697	50,130	2,432
Adjustments for:				
Depreciation and amortisation	<i>12 & 13</i>	3,138	2,550	2,307
Interest income		(1,811)	(1,525)	(1,571)
Gain on disposal of fixed assets		–	(19)	–
Share option expenses	<i>7</i>	4,339	–	–
Cash flows from operating activities before working capital changes				
Decrease/(increase) in pledged time deposits		2,800	(28,506)	6,307
Increase in client trust bank balances		(25,058)	(53,217)	19,238
Decrease/(increase) in balances due from agents		4,811	(2,873)	(3,411)
Decrease/(increase) in derivative financial instruments		3,133	(24,622)	12,685
(Increase)/decrease in other assets and prepayments		(1,755)	3,836	(2,306)
Decrease/(increase) in amounts due from ultimate holding company		23	(3,706)	18,351
Decrease in amounts due from fellow subsidiaries		75	126	3,246
Increase/(decrease) in amounts due to fellow subsidiaries		176	(386)	(431)
Increase in clients' balances		34,448	21,836	(15,505)
Increase/(decrease) in other payables and accrued liabilities		4,969	(3,058)	(155)
Cash generated from/(used in) operations		76,965	(39,434)	41,187
Income tax paid		(7,654)	(11,493)	(10,200)
Net cash generated from/(used in) operating activities		69,311	(50,927)	30,987
Cash flows from investing activities				
Interest received		1,969	1,316	1,630
Purchase of property, plant and equipment and intangible assets	<i>12 & 13</i>	(8,756)	(2,978)	(2,730)
Proceeds from disposal of plant and equipment		–	19	–
Net cash used in investing activities		(6,787)	(1,643)	(1,100)
Cash flows from financing activities				
Net proceeds from issue of shares	<i>22</i>	–	155,192	57,091
Payment of transaction costs attributable to issue of new shares		–	(9,354)	–
Repayment of finance lease obligations		(57)	(94)	(118)
Dividends paid	<i>10</i>	(23,500)	(29,500)	(21,000)
Net cash (used in)/generated from financing activities		(23,557)	116,244	35,973
Net increase in cash and cash equivalents				
Cash and cash equivalents at beginning of year		38,967	63,674	65,860
Effect of foreign exchange rate changes, net		310,675	248,650	178,052
		(5,920)	(1,649)	4,738
Cash and cash equivalents at end of year	<i>17</i>	<u>343,722</u>	<u>310,675</u>	<u>248,650</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1 CORPORATE INFORMATION****1.1 General information**

KVB Kunlun was incorporated in the Cayman Islands on 9 November 2010 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

KVB Kunlun's shares have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 3 July 2013.

KVB Kunlun is an investment holding company and its subsidiaries are principally engaged in the provision of leveraged foreign exchange and other trading, cash dealing business, and other services.

The financial statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of KVB Kunlun Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss, which carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying KVB Kunlun Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 4.

Unless otherwise stated herein, all references to 2014 refer to KVB Kunlun Group's fiscal year ended, or the date, as the context requires, 31 December 2014.

(a) *Newly effective standards and amended standards for the financial year from 1 January 2014 that is applicable to KVB Kunlun Group*

Amendment to HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on KVB Kunlun Group's financial statements.

Amendments to HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment did not have a significant effect on KVB Kunlun Group's financial statements as the recoverable amounts are determined by value in use.

HK(IFRIC) 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment of a levy and when a liability should be recognised. KVB Kunlun Group is not currently subjected to significant levies so the impact on KVB Kunlun Group is not material.

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to KVB Kunlun Group.

(b) The following new standards and amendments to standards have been issued but are not effective for the financial year ended 31 December 2014 which are relevant to KVB Kunlun Group but KVB Kunlun Group has not early adopted

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. It is expected that the adoption of this revised standard will not have a significant impact on KVB Kunlun Group's results of operations and its financial position.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. KVB Kunlun Group is assessing the impact of HKFRS 15.

Other HKFRSs that are applicable for the financial year beginning on or after 1 January 2014 have no significant impact on KVB Kunlun Group.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which KVB Kunlun Group has control. KVB Kunlun Group controls an entity when KVB Kunlun Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to KVB Kunlun Group. They are deconsolidated from the date that control ceases.

KVB Kunlun Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by KVB Kunlun Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, KVB Kunlun Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

At KVB Kunlun's single entity level balance sheet, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of KVB Kunlun Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income. KVB Kunlun Group determines at each reporting date whether there is any objective evidence that the investment in the subsidiaries is impaired. If this is the case, KVB Kunlun Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by KVB Kunlun Group.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by KVB Kunlun on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. KVB Kunlun Group has determined the Board of Directors as its chief operating decision maker.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of KVB Kunlun Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The consolidated financial statements are presented in HK\$, which is KVB Kunlun Group's functional and KVB Kunlun Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

(c) Group companies

The results and financial position of all KVB Kunlun Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each consolidated statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to KVB Kunlun Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	10 years or over the lease term, whichever is shorter
Computer equipment	3 to 5 years
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in 'other income' in the consolidated statement of comprehensive income.

2.6 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment if any.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life (3 to 5 years) and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each balance sheet date.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each balance sheet date.

2.8 Financial assets

2.8.1 Classification

KVB Kunlun Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if it holds the asset primarily for the purpose of trading; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the balance sheet date. These are classified as non-current assets.

2.8.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date – the date on which KVB Kunlun Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Gains and losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are included directly in consolidated statement of comprehensive income and are reported as “leveraged foreign exchange and other trading income” in the period in which they arise. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where KVB Kunlun Group has transferred substantially all risks and rewards of ownership.

Loans and receivables are carried at amortised cost using the effective interest method less impairment if any. KVB Kunlun Group’s receivables (including amounts due from group companies) and “cash and cash equivalents” fall under this category. Accounts receivables and amounts due from group companies are measured subsequently at amortised cost using the effective interest rate method. Interest on loans is included in the consolidated statement of comprehensive income and is reported as net interest income.

2.8.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of KVB Kunlun or the counterparty.

2.9 Impairment of financial assets

KVB Kunlun Group assesses at each balance sheet date whether there is objective evidence that a financial asset classified as loans and receivables is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, KVB Kunlun Group may measure impairment on the basis of an instrument’s fair value using observable market data.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2.10 Derivative financial instruments

KVB Kunlun Group classifies derivatives as financial assets or financial liabilities at fair value through profit or loss at inception. These financial assets and financial liabilities are classified as held for trading by the Board of Directors.

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purposes of selling or repurchasing in the short term. KVB Kunlun Group does not classify any derivatives as hedges in a hedging relationship.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Gains or losses arising from changes in the fair value are recognised in the “leveraged foreign exchange and other trading income” in the period in which they arise.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, bank deposits with original maturities of three months or less, and bank overdrafts.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash and cash equivalents available for the disposition of KVB Kunlun Group and exclude client trust bank balances, and bank deposits held to secure the banking facilities granted to KVB Kunlun Group.

2.12 Rental, utility and other deposits

Rental, utility and other deposits held on a long term basis are stated at amortised cost using the effective interest method less impairment if any.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the liabilities are due to be settled or KVB Kunlun Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

2.14 Financial liabilities

Financial liabilities including other payables are recognised initially at fair value net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the profit or loss over the period of the other financial liabilities using the effective interest method. Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

2.15 Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.16 Employee benefits**(a) Retirement benefits scheme**

KVB Kunlun Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the Scheme.

The employees of KVB Kunlun Group's subsidiary, which operates in New Zealand, are eligible to participate in KiwiSaver plan on a voluntary basis. This subsidiary is required to contribute certain percentage of its payroll costs to the fund only if employees are making contribution to KiwiSaver plan. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the fund.

The employees of KVB Kunlun Group's subsidiary, which operates in Australia, are required to participate in employee superannuation fund. This subsidiary is required to contribute certain percentage of its payroll costs to the fund. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the fund.

The assets of the Scheme and other plans as described above are held separately from those of KVB Kunlun Group in an independently administered fund. KVB Kunlun Group's employer contributions vest fully with the employees when contributed into the Scheme and other plans.

(b) Employee level entitlements

Employee entitlements to annual leave are recognised when they are accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(c) Bonus

KVB Kunlun Group recognises a liability and an expense for bonuses, in which the bonus scheme is at the discretion of KVB Kunlun Group's Directors based on KVB Kunlun Group's performance that takes into consideration the profit attributable to KVB Kunlun Group after certain adjustments. KVB Kunlun Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.17 Share-based payment transactions

(a) Equity-settled share-based payment transactions

KVB Kunlun Group operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of KVB Kunlun Group's operations. Employees (including directors) of KVB Kunlun Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined with reference to the fair value estimated by external valuer under a valuation model commonly used in the market.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of KVB Kunlun ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the year in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting year has expired and KVB Kunlun Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a year represents the movement in the cumulative expense recognised as at the beginning and end of that year.

When the options are exercised, KVB Kunlun issues new shares. The proceeds received net of any directly transaction costs are credited to share capital.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(b) Share-based payment transaction among group entities

The grant by KVB Kunlun of options over its equity instruments to the employees of subsidiary undertakings in KVB Kunlun Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting periods an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in the parent entity accounts.

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividend on ordinary shares is recognised as a liability in the consolidated financial statements in the period in which it is approved by the shareholders or directors where appropriate.

2.19 Income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit of loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where KVB Kunlun Group's subsidiaries operate and generate taxable income. Management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by KVB Kunlun Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. 20 Goods and Services Tax ("GST")

The financial statements have been prepared so that expenses/costs are stated inclusive of GST, where appropriate. KVB Kunlun Group is not a registered person in term of the Goods and Services Tax Act 1985 in New Zealand.

2.21 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to KVB Kunlun Group and when the revenue can be measured reliably, on the following bases:

- (i) fees and commission income, when the services have been rendered;
- (ii) management fees income, when the services have been rendered; and
- (iii) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

2.22 Cash dealing income

Unleveraged cash dealing services are provided to corporate clients, in particular, those clients engaged in money changing business for the purpose of hedging their cash positions and meeting settlement obligations. KVB Kunlun Group is rewarded by the spread between the price quoted to our clients and the price offered by our market makers. Cash dealing income is recognised when cash dealing transactions have been completed by market makers with reference to prevailing exchange rate.

2.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), are charged to the profit or loss on a straight-line basis over the period of the lease.

KVB Kunlun Group leases certain property, plant and equipment. Leases of property, plant and equipment where KVB Kunlun Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in finance lease obligation. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

3 FINANCIAL RISK MANAGEMENT

Risk is inherent in the financial service business and sound risk management is a cornerstone of prudent and successful financial practice. KVB Kunlun Group acknowledges that a balance must be achieved between risks, control and business growth. The principal financial risks inherent in KVB Kunlun Group's business are credit risk, market risk (including interest rate risk and foreign currency risk) and liquidity risk. KVB Kunlun Group's overall risk management objective is to enhance shareholder value while retaining exposure within acceptable thresholds in response to changes in markets. KVB Kunlun Group has a robust risk management system in place to identify, analyse, assess and manage risks.

KVB Kunlun Group's risk management is carried out by its Group Risk Department under policies approved by its audit, risk and compliance committee. KVB Kunlun Group's Risk Department provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating credit risk, market risk, liquidity risk, capital management risk and risk limits setting and monitoring.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

KVB Kunlun Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Fair value of share options

KVB Kunlun Group determines the fair value of share options at the date at which they are granted with reference to the fair value estimated under a valuation model which are commonly used in the market. The assumptions used in computing the fair value of the share options are subject to managements' best estimation. Changes in assumptions about these assumptions could affect reported fair value of share options. Managements use their judgment to make assumptions that are mainly reference to the historical data of comparable listed companies.

More details of the assumptions made are included in Note 24 to the consolidated financial statements.

4.2 Critical judgements in applying KVB Kunlun Group's accounting policies

Management of KVB Kunlun Group has not come across any significant areas where critical accounting judgements are to be made.

5 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors. KVB Kunlun Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of KVB Kunlun Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. The Board of Directors considers the business from a geographical and product perspective.

Summary details of the business segments are as follows:

- (a) the margin dealing segments engage in the provision of leveraged foreign exchange and other trading services in Hong Kong and New Zealand;
- (b) the unleveraged cash dealing segment engages in the provision of non-leveraged foreign exchange trading services in New Zealand. Unleveraged cash dealing services were provided to corporate clients, in particular, those clients engaged in money changing business for the purpose of hedging their cash positions and meeting settlement obligations. KVB Kunlun Group is rewarded by the spread between the price quoted to our clients and the price offered by our market makers; and
- (c) the investment sales segments engage in provision of sale and marketing functions to clients in New Zealand and Australia.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the years ended 31 December 2014 and 2013.

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

The segment information provided to the management for the reportable segments for the years ended 31 December 2014 and 2013 is as follows:

For the year ended 31 December 2014

	New Zealand Margin dealing HK\$'000	Hong Kong Margin dealing HK\$'000	New Zealand Cash dealing HK\$'000	New Zealand Investment sales HK\$'000	Australia Investment sales HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue and other income:								
Foreign exchange and other trading income earned from external customers	144,214	(7)	16,636	-	-	-	-	160,843
Inter-segment sales	-	45,657	-	6,687	16,311	-	(68,655)	-
Segment revenue	144,214	45,650	16,636	6,687	16,311	-	(68,655)	160,843
Other income	21,237	-	46	55	306	6,147	-	27,791
Total revenue and other income	<u>165,451</u>	<u>45,650</u>	<u>16,682</u>	<u>6,742</u>	<u>16,617</u>	<u>6,147</u>	<u>(68,655)</u>	<u>188,634</u>
Segment profit/(loss)	30,295	38,914	15,516	(1,575)	11,824	6,147	-	101,121
Other staff costs	-	-	-	-	-	-	-	(19,552)
Other unallocated administrative and operating expenses	-	-	-	-	-	-	-	(33,872)
Profit before tax	-	-	-	-	-	-	-	47,697
Income tax expense	-	-	-	-	-	-	-	(12,616)
Profit for the year	-	-	-	-	-	-	-	<u>35,081</u>
Other segment information:								
Depreciation and amortisation	115	264	57	161	133	2,408	-	3,138
Finance cost	18	-	-	-	2	-	-	20

For the year ended 31 December 2013

	New Zealand Margin Dealing HK\$'000	Hong Kong Margin dealing HK\$'000	New Zealand Cash dealing HK\$'000	New Zealand Investment sales HK\$'000	Australia Investment sales HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue and other income:								
Foreign exchange and other trading income earned from external customers	135,549	(6)	11,505	-	-	-	-	147,048
Inter-segment sales	-	27,069	-	4,833	7,104	-	(39,006)	-
Segment revenue	135,549	27,063	11,505	4,833	7,104	-	(39,006)	147,048
Other income	24,903	-	108	67	14	4,579	-	29,671
Total revenue and other income	<u>160,452</u>	<u>27,063</u>	<u>11,613</u>	<u>4,900</u>	<u>7,118</u>	<u>4,579</u>	<u>(39,006)</u>	<u>176,719</u>
Segment profit/(loss)	52,080	21,309	6,169	(4,058)	(4,565)	4,579	-	75,514
Other staff costs	-	-	-	-	-	-	-	(17,323)
Other unallocated administrative and operating expenses	-	-	-	-	-	-	-	(8,061)
Profit before tax	-	-	-	-	-	-	-	50,130
Income tax expense	-	-	-	-	-	-	-	(15,356)
Profit for the year	-	-	-	-	-	-	-	<u>34,774</u>
Other segment information:								
Depreciation and amortisation	83	319	49	83	471	1,545	-	2,550
Finance cost	100	-	7	-	-	16	-	123

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

For the year ended 31 December 2012

	New Zealand Margin dealing HK\$'000	Hong Kong Margin dealing HK\$'000	New Zealand Cash dealing HK\$'000	New Zealand Investment sales HK\$'000	Australia Investment sales HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue and other income:								
Foreign exchange and other trading income earned from external customers	86,632	120	11,045	–	–	(1,536)	–	96,261
Inter-segment sales	–	24,141	–	2,851	5,862	–	(32,854)	–
Segment revenue	86,632	24,261	11,045	2,851	5,862	(1,536)	(32,854)	96,261
Other income	21,584	–	286	243	399	4,449	–	26,961
Total revenue and other income	<u>108,216</u>	<u>24,261</u>	<u>11,331</u>	<u>3,094</u>	<u>6,261</u>	<u>2,913</u>	<u>(32,854)</u>	<u>123,222</u>
Segment profit/(loss)	15,059	21,793	6,232	(392)	(6,585)	2,913	–	39,020
Other staff costs	–	–	–	–	–	–	–	(17,406)
Other unallocated administrative and operating expenses	–	–	–	–	–	–	–	(19,182)
Profit before tax	–	–	–	–	–	–	–	2,432
Income tax expense	–	–	–	–	–	–	–	(4,181)
Loss for the year	–	–	–	–	–	–	–	<u>(1,749)</u>
Other segment information:								
Depreciation and amortisation	46	31	61	77	573	1,519	–	2,307
Finance cost	30	–	71	–	–	205	–	306

KVB Kunlun is domiciled in Hong Kong. The entire Group's income from external customers is derived from its operations in New Zealand.

	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
New Zealand	160,843	147,048	96,141
Others	–	–	120
	<u>160,843</u>	<u>147,048</u>	<u>96,261</u>

The locations of its non-current assets (excluding deferred tax assets) are as follows:

	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Hong Kong	3,651	4,365	4,564
New Zealand	6,064	1,579	834
Australia	2,430	614	825
	<u>12,145</u>	<u>6,558</u>	<u>6,223</u>

None of the external customers contributes more than 10% of KVB Kunlun Group's trading income individually in the respective years.

Information on segment assets and liabilities are not disclosed as this information is not presented to the Board of Directors as they do not assess performance of reportable segments using information on assets and liabilities.

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

6 OTHER INCOME

	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Provision of management services (<i>Note 27(a)(i)</i>)	2,019	2,508	7,916
Fees and commission income	23,686	26,499	22,301
Interest income	1,811	1,525	1,571
Exchange gain/(losses), net	22	(1,371)	(5,343)
Gain on disposal of fixed assets	–	19	–
Others	253	491	516
	<u>27,791</u>	<u>29,671</u>	<u>26,961</u>

7 STAFF COSTS

	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Staff costs (including directors' remuneration (<i>Note 25</i>)):			
Salaries and allowances	31,300	29,978	28,595
Pension scheme contributions	906	841	937
Staff option expenses (<i>Note 24</i>)	4,339	–	–
	<u>36,545</u>	<u>30,819</u>	<u>29,532</u>

8 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Management fees paid to ultimate holding company (<i>Note 27(a)(ii)</i>)	799	661	2,543
Management fees paid to fellow subsidiaries (<i>Note 27(a)(ii)</i>)	361	328	82
Other office occupation expenses	1,619	1,618	1,541
Auditor's remuneration	2,648	2,150	2,865
Information services expenses	3,024	3,251	3,690
Professional and consultancy fee	8,656	8,109	14,287
Repair and maintenance (including system maintenance)	698	598	623
Marketing, advertising and promotion expenses	7,807	4,424	2,511
Travelling expenses	2,892	2,412	2,033
Entertainment expenses	1,089	1,009	1,030
Insurance	653	541	425
Others	3,399	4,355	2,434
	<u>33,645</u>	<u>29,456</u>	<u>34,064</u>

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit during the year. Taxation on overseas profits has been calculated on the estimated assessable profit during the year at the rates of taxation prevailing in the countries in which KVB Kunlun Group operates. The income tax expenses of KVB Kunlun Group are charged at a tax rate of 28% in New Zealand and 30% in Australia in accordance with the local tax authorities.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current tax:			
Charge for the year	12,947	15,412	4,293
Over-provision in prior year	(20)	(30)	(371)
Others	301	–	–
Deferred tax:			
Charge for the year (<i>Note 19</i>)	(612)	(26)	259
	12,616	15,356	4,181
Income tax expense	12,616	15,356	4,181
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit before income tax	47,697	50,130	2,432
Tax at the Hong Kong statutory tax rate	7,870	8,271	401
Effect of different taxation rates in other countries	3,464	5,835	665
Income not subject to tax	(16,164)	(17,883)	(9,007)
Expenses not deductible for tax	16,243	19,131	11,487
Temporary differences not recognised	1,217	32	433
Utilization of previously unrecognized tax losses	(295)	–	–
Over-provision in prior year	(20)	(30)	(371)
Tax losses transferred to a fellow subsidiary	–	–	573
Others	301	–	–
	12,616	15,356	4,181
Income tax expense	12,616	15,356	4,181

10 DIVIDENDS

During the year ended 31 December 2012, dividends of HK\$14,000,000 in respect of the year ended 31 December 2012 were declared and paid by KVB Kunlun to the then shareholders.

On 21 May 2013 and 3 June 2013, KVB Kunlun declared a special dividend of HK\$1 and HK\$0.6 per ordinary share based on the outstanding shares at the respective dates of the shareholders meetings. The total special dividends of HK\$16,000,000 were paid to the then shareholders out of share premium.

The Board of KVB Kunlun resolved to declare a third quarterly dividend of HK0.675 cents per ordinary share in 2013. The dividend was distributed on 3 December 2013 to shareholders of KVB Kunlun whose names appear on the register of members of KVB Kunlun as at the close of business on 27 November 2013. A total of HK\$13,500,000 was paid to the then shareholders out of retained earnings.

On 5 May 2014, a final dividend in respect of the year ended 31 December 2013 of HK0.5 cents per ordinary share was approved by KVB Kunlun's shareholders. The dividend of HK\$10,000,000 was paid to the shareholders of KVB Kunlun.

On 10 November 2014, the Board approved the payment of a dividend of 2014 of HK0.675 cents per ordinary share, amounting to a total dividend of HK\$13,500,000. The payment was made to the shareholders of KVB Kunlun on 26 November 2014.

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

A final dividend in respect of the year ended 31 December 2014 of HK\$1.075 cents per ordinary share, amounting to a total dividend of HK\$21,500,000 is recommended at the Board of Directors meeting on 31 March 2015. These financial statements do not reflect this dividend payable.

The proposed final dividend for the year ended 31 December 2014 is subject to the approval of KVB Kunlun's shareholders at the forthcoming annual general meeting.

11 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit attributable to equity holders of KVB Kunlun by the weighted average number of ordinary shares in issue during the year.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit/(loss) attributable to equity holders of KVB Kunlun	35,081	34,774	(1,749)
Weighted average number of ordinary shares in issue	<u>2,000,000,000</u>	<u>1,827,857,164</u>	<u>1,597,495,177</u>
Basic earnings/(loss) per share (HK cents)	<u>1.75</u>	<u>1.90</u>	<u>(0.11)</u>

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the profit for the year attributable to equity holders of KVB Kunlun. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares under the share option scheme into ordinary shares.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit/(loss) attributable to equity holders of KVB Kunlun	35,081	34,774	(1,749)
Weighted average number of ordinary shares in issue	2,000,000,000	1,827,857,164	1,597,495,177
Adjustments for share options	<u>4,798,894</u>	<u>–</u>	<u>–</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u>2,004,798,894</u>	<u>1,827,857,164</u>	<u>1,597,495,177</u>
Diluted earnings/(loss) per share (HK cents)	<u>1.75</u>	<u>1.90</u>	<u>(0.11)</u>

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

12 PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2012					
Cost	7,596	8,441	7,710	1,584	25,331
Accumulated depreciation	(6,259)	(7,799)	(4,476)	(1,212)	(19,746)
Net carrying amount	<u>1,337</u>	<u>642</u>	<u>3,234</u>	<u>372</u>	<u>5,585</u>
For the year ended 31 December 2012					
Opening net carrying amount	1,337	642	3,234	372	5,585
Exchange adjustments	25	10	17	6	58
Additions	457	500	757	764	2,478
Depreciation	(509)	(385)	(1,108)	(225)	(2,227)
Closing net carrying amount	<u>1,310</u>	<u>767</u>	<u>2,900</u>	<u>917</u>	<u>5,894</u>
As at 31 December 2012					
Cost	8,285	9,065	8,631	2,420	28,401
Accumulated depreciation	(6,975)	(8,298)	(5,731)	(1,503)	(22,507)
Net carrying amount	<u>1,310</u>	<u>767</u>	<u>2,900</u>	<u>917</u>	<u>5,894</u>
For the year ended 31 December 2013					
Opening net carrying amount	1,310	767	2,900	917	5,894
Exchange adjustments	(12)	(10)	(19)	(32)	(73)
Additions	740	994	231	946	2,911
Depreciation	(502)	(422)	(1,192)	(315)	(2,431)
Closing net carrying amount	<u>1,536</u>	<u>1,329</u>	<u>1,920</u>	<u>1,516</u>	<u>6,301</u>
As at 31 December 2013					
Cost	8,577	9,366	8,484	3,061	29,488
Accumulated depreciation	(7,041)	(8,037)	(6,564)	(1,545)	(23,187)
Net carrying amount	<u>1,536</u>	<u>1,329</u>	<u>1,920</u>	<u>1,516</u>	<u>6,301</u>
For the year ended 31 December 2014					
Opening net carrying amount	1,536	1,329	1,920	1,516	6,301
Exchange adjustments	(29)	9	4	(37)	(53)
Additions	456	1,665	1,285	–	3,406
Depreciation	(537)	(715)	(943)	(397)	(2,592)
Closing net carrying amount	<u>1,426</u>	<u>2,288</u>	<u>2,266</u>	<u>1,082</u>	<u>7,062</u>
As at 31 December 2014					
Cost	8,632	10,620	9,330	2,937	31,519
Accumulated depreciation	(7,206)	(8,332)	(7,064)	(1,855)	(24,457)
Net carrying amount	<u>1,426</u>	<u>2,288</u>	<u>2,266</u>	<u>1,082</u>	<u>7,062</u>

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

13 INTANGIBLE ASSETS

	Computer software <i>HK\$'000</i>
As at 1 January 2012	
Cost	6,115
Accumulated amortisation	(5,998)
	117
Net carrying amount	
	117
For the year ended 31 December 2012	
Opening net carrying amount	117
Exchange adjustments	2
Additions	290
Amortisation	(80)
	329
Closing net carrying amount	
	329
As at 1 January 2013	
Cost	6,636
Accumulated amortisation	(6,307)
	329
Net carrying amount	
	329
For the year ended 31 December 2013	
Opening net carrying amount	329
Exchange adjustments	1
Additions	46
Amortisation	(119)
	257
Closing net carrying amount	
	257
As at 31 December 2013	
Cost	6,522
Accumulated amortisation	(6,265)
	257
Net carrying amount	
	257
For the year ended 31 December 2014	
Opening net carrying amount	257
Exchange adjustments	22
Additions	5,350
Amortisation	(546)
	5,083
Closing net carrying amount	
	5,083
As at 31 December 2014	
Cost	11,610
Accumulated amortisation	(6,527)
	5,083
Net carrying amount	
	5,083

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

14 OTHER ASSETS AND PREPAYMENTS

	2014	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental, utility and other receivables	2,817	3,167	3,052
Prepayments	1,321	1,553	5,566
Others	2,452	253	44
	<u> </u>	<u> </u>	<u> </u>
Total	<u>6,590</u>	<u>4,973</u>	<u>8,662</u>

The carrying amounts of KVB Kunlun Group's other assets approximate to their fair values.

15 DERIVATIVE FINANCIAL INSTRUMENTS

	2014	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets			
Derivative foreign exchange contracts	55,544	56,594	36,571
Current liabilities			
Derivative foreign exchange contracts	(4,662)	(2,579)	(7,178)
	<u> </u>	<u> </u>	<u> </u>
Total	<u>50,882</u>	<u>54,015</u>	<u>29,393</u>

KVB Kunlun Group has trades in foreign currencies through its foreign currency margin trading business. In order to protect against exchange rate movements, KVB Kunlun Group has entered into a number of foreign exchange and forward transactions with KVB Kunlun Group's bankers to manage its net foreign currency exposure.

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2014, 2013 and 2012 are HK\$2,458,651,000, HK\$2,584,207,000 and HK\$1,892,205,000 respectively.

16 BALANCES DUE FROM AGENTS

	2014	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balances due from:			
– securities agents	12,099	16,910	14,037
	<u> </u>	<u> </u>	<u> </u>

The carrying amounts of KVB Kunlun Group's balances due from agents approximate to their fair values. The balances due from agents are current in nature and ageing within 30 days.

17 CASH AND BANK BALANCES AND CLIENT TRUST BANK BALANCES

	2014	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	318,649	201,926	243,493
Fixed deposits with banks	70,570	157,046	24,948
Client trust bank balances	149,966	124,908	71,691
	<u> </u>	<u> </u>	<u> </u>
Total	<u>539,185</u>	<u>483,880</u>	<u>340,132</u>

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

KVB Kunlun Group maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits arising from normal business transactions. KVB Kunlun Group is not allowed to use the clients' monies to settle its own obligations in the ordinary course of business, and therefore they are not included as cash and cash equivalents in the statement of cash flows.

As at 31 December 2014, 2013 and 2012, fixed deposits of HK\$45,497,000, HK\$45,101,000 and HK\$13,942,000 respectively are pledged to banks for banking facilities. No overdraft facility was utilised by KVB Kunlun Group as at 31 December 2014 and 2013. No bank deposits are collateral deposits by KVB Kunlun Group placed with market makers as at 31 December 2014 (2013: HK\$3,196,000; 2012: HK\$5,849,000).

For the purposes of the consolidated cash flow statements, cash and cash equivalents comprises of the following:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Cash and bank balances	318,649	201,926	243,493
Fixed deposits with bank with original maturity within three months	25,073	108,749	5,157
	<u>343,722</u>	<u>310,675</u>	<u>248,650</u>

18 FINANCE LEASE OBLIGATIONS

Lease liabilities are effectively secured as the rights to the lease asset revert to the lessor in the event of default.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Gross finance lease liabilities – minimum lease payments			
Not later than 1 year	47	56	173
Later than 1 year and no later than 5 years	73	131	217
	120	187	390
Future finance charges on finance leases	(6)	(16)	(42)
Present value of finance lease liabilities	<u>114</u>	<u>171</u>	<u>348</u>

The present value of finance lease liabilities is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Not later than 1 year	41	45	151
Later than 1 year and no later than five years	73	126	197
	<u>114</u>	<u>171</u>	<u>348</u>

KVB Kunlun Group leases various vehicles under non-cancellable finance lease agreements. The lease terms are 3 to 5 years and ownership of the assets lies within KVB Kunlun Group.

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

19 DEFERRED TAXATION

The major components of deferred tax assets/(liabilities) recorded in the consolidated balance sheet and the movements during the year are as follows:

	Employee benefits <i>HK\$'000</i>	Depreciation <i>HK\$'000</i>	Other temporary differences <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2012	388	(154)	258	492
Exchange adjustments	17	(2)	8	23
(Charge)/credit for the year	(296)	(26)	63	(259)
	<u>109</u>	<u>(182)</u>	<u>329</u>	<u>256</u>
At 31 December 2012	<u>109</u>	<u>(182)</u>	<u>329</u>	<u>256</u>
At 1 January 2013	109	(182)	329	256
Exchange adjustments	(11)	13	(20)	(18)
(Charge)/credit for the year	67	20	(61)	26
	<u>165</u>	<u>(149)</u>	<u>248</u>	<u>264</u>
At 31 December 2013	<u>165</u>	<u>(149)</u>	<u>248</u>	<u>264</u>
At 1 January 2014	165	(149)	248	264
Exchange adjustments	(25)	13	(50)	(62)
Credit for the year	229	3	380	612
	<u>369</u>	<u>(133)</u>	<u>578</u>	<u>814</u>
At 31 December 2014	<u>369</u>	<u>(133)</u>	<u>578</u>	<u>814</u>

Deferred tax assets and liabilities are offset on an individual entity basis when there is a legal right to set off current tax assets against current tax liabilities and when the deferred taxation relates to the same authority. The following amounts, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Deferred tax assets to be recovered after more than twelve months	947	413	438
Deferred tax liabilities to be settled after more than twelve months	(133)	(149)	(182)
	<u>814</u>	<u>264</u>	<u>256</u>

Deferred tax assets have not been recognised for the following:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Unused tax losses	–	975	1,326
	<u>–</u>	<u>975</u>	<u>1,326</u>

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

20 OTHER PAYABLES AND ACCRUED LIABILITIES

	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
KVB Kunlun Group			
Accrued rental benefit	295	648	1,002
Accruals	4,707	4,146	5,612
Commission payable	7,385	5,038	3,139
Employee entitlements	1,862	1,604	512
Deferred revenue	1,043	307	–
Other payables	1,866	446	4,982
	<u>17,158</u>	<u>12,189</u>	<u>15,247</u>
KVB Kunlun			
Accruals	1,729	1,414	3,332
Other payables	–	–	3,651
	<u>1,729</u>	<u>1,414</u>	<u>6,983</u>

The carrying amounts of KVB Kunlun Group's and KVB Kunlun's other payables approximate to their fair values.

21 CLIENTS' BALANCES

The balances represent margin deposits received from clients for their trading activities under normal course of business. The carrying amounts approximate to their fair values.

22 SHARE CAPITAL

	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Authorised:			
4,000,000,000 ordinary shares of HK\$0.01 each	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
Issued and fully paid:			
2,000,000,000 ordinary shares of HK\$0.01 each	<u>20,000</u>	<u>20,000</u>	<u>100</u>

The movements in issued share capital were as follows:

	Number of shares in issue	Issued share capital HK\$'000
As at 1 January 2012 (<i>note (a)</i>)	1	–
Issue of shares to shareholders (<i>note (b)</i>)	<u>9,999,999</u>	<u>100</u>
As at 31 December 2012 and 1 January 2013	<u>10,000,000</u>	<u>100</u>
Capitalisation issue (<i>note (d)</i>)	1,646,655,000	16,467
Placing of new shares (<i>note (e)</i>)	<u>343,345,000</u>	<u>3,433</u>
As at 31 December 2013 and 31 December 2014	<u>2,000,000,000</u>	<u>20,000</u>

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

- (a) KVB Kunlun was incorporated on 9 November 2010 with an initial authorised share capital of HK\$10,000 divided into 1,000,000 shares with par value of HK\$0.01 each. On the date of incorporation, 1 ordinary share was issued to Mr Li.
- (b) On 17 May 2012, the authorised share capital of KVB Kunlun was increased from HK\$10,000 divided into 1,000,000 shares of HK\$0.01 each to HK\$1,000,000 divided into 100,000,000 shares of HK\$0.01 each. On the same date, KVB Kunlun issued 9,054,399 shares at par to KVB Kunlun Holding Limited, the ultimate holding company, and 945,600 shares at a consideration of HK\$57,000,000. The ordinary shares issued have the same rights as the other shares in issue.
- (c) On 18 December 2012, the authorised share capital of KVB Kunlun was further increased to HK\$40,000,000 divided into 4,000,000,000 shares by the creation of an additional 3,900,000,000 shares, each ranking pari passu in all aspect with the existing issued shares.
- (d) Pursuant to the written resolution passed by the shareholders on 3 June 2013, the directors were authorised to allot and issue a total of 1,646,655,000 shares by way of capitalisation of the sum of HK\$16,466,550 standing to the credit of the share premium account of KVB Kunlun by applying such sum in paying up in full at par 1,646,655,000 shares for allotment and issue to the then shareholders in proportion to their respective shareholdings.
- (e) On 3 July 2013, 343,345,000 shares of HK\$0.01 each of KVB Kunlun were issued at premium at an issue price of HK\$0.452 each by way of the placing.

23 CAPITAL RESERVE

The balance represents the difference between the book value of the net assets of KVB Kunlun New Zealand Limited, KVB Kunlun Pty Limited and KVB Kunlun International (HK) Limited over the par value of the shares issued by LXL Capital II Limited, LXL Capital III Limited and LXL Capital IV Limited in exchange for these subsidiaries as if the current group structure had been in existence since 1 January 2011.

24 SHARE OPTION SCHEME

On 10 January 2014, the Board of Directors of KVB Kunlun has granted 40,000,000 share options to 68 individuals for their subscription of new ordinary shares of HK\$0.01 per share of KVB Kunlun.

These share options are exercisable at HK\$0.414 per share, with varying vesting period and validity from the date of grant. 40 out of 68 of the Grantees are granted share options which are exercisable for a period of three years and a vesting period of one year from the date of grant. 28 remaining Grantees are granted share options which are exercisable for a period of two years from the date of grant, with a vesting period of two years from the date of grant. All of the share options have no vesting condition. Among the 40,000,000 share options granted, 14,920,000 share options were granted to six Directors of KVB Kunlun.

KVB Kunlun Group has no legal or constructive obligation to repurchase or settle the options in cash.

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

Movements in the number of share options outstanding are as follows:

Grantee	Date of grant	Outstanding at beginning of the period	Granted during the period	Forfeited during the period	Outstanding at end of the period	Exercise price HK\$	Exercise period
Liu Stefan	10 January 2014	–	9,520,000	–	9,520,000	0.414	10 January 2015 to 9 January 2018
Ng Chee Hung Frederick	10 January 2014	–	4,000,000	–	4,000,000	0.414	10 January 2015 to 9 January 2018
Stephen Gregory McCoy	10 January 2014	–	800,000	–	800,000	0.414	10 January 2015 to 9 January 2018
Zhao Guixin	10 January 2014	–	200,000	–	200,000	0.414	10 January 2015 to 9 January 2018
Cornelis Jacobus Keyser	10 January 2014	–	200,000	–	200,000	0.414	10 January 2015 to 9 January 2018
Lin Wenhui	10 January 2014	–	200,000	–	200,000	0.414	10 January 2015 to 9 January 2018
Employees of group companies	10 January 2014	–	19,290,000	(1,150,000)	18,140,000	0.414	10 January 2015 to 9 January 2018
Employees of group companies	10 January 2014	–	2,740,000	(470,000)	2,270,000	0.414	10 January 2016 to 9 January 2018
Consultants	10 January 2014	–	1,200,000	–	1,200,000	0.414	10 January 2015 to 9 January 2018
Consultants	10 January 2014	–	1,850,000	(100,000)	1,750,000	0.414	10 January 2016 to 9 January 2018
		–	<u>40,000,000</u>	<u>(1,720,000)</u>	<u>38,280,000</u>		

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. Details of the share options granted on 10 January 2014 was as follows:

Weighted average share option price at the grant date:	HK\$0.1227
Risk free interest rate:	1.154%
Expected volatility:	42.92%
Expected dividend yield:	1.96%
Expected exercise multiple:	Directors: 2.8x exercise price Others: 2.2x exercise price

The measurement date of the share options was 10 January 2014, being the date of grant of the share options. The expected dividend yield is determined with reference to historical dividend payment history of comparable listed companies up to the measurement date. The expected volatility of share price is determined with reference to annualised historical weekly volatility of comparable listed companies' share prices as of the valuation date, as extracted from Bloomberg.

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

25 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Emoluments paid/payable to the directors of KVB Kunlun by KVB Kunlun Group during the years ended 31 December 2014 and 2013.

For the year ended 31 December 2014

Name of director	Director's fee <i>HK\$'000</i>	Salary and other benefits <i>HK\$'000</i>	Employer's contribution to pension scheme <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Other benefits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive Directors:						
Mr Liu Stefan	120	365	17	30	240	772
Mr Ng Chee Hung Frederick	120	788	17	66	–	991
Non-executive Directors:						
Mr Li	60	–	–	–	–	60
Mr Stephen Gregory McCoy	60	–	–	–	–	60
Independent Non-executive Directors:						
Ms Zhao Guixin	120	–	–	–	–	120
Mr Cornelis Jacobus Keyser	120	–	–	–	–	120
Mr Lin Wenhui	120	–	–	–	–	120
	720	1,153	34	96	240	2,243
	720	1,153	34	96	240	2,243

For the year ended 31 December 2013

Name of director	Director's fee <i>HK\$'000</i>	Salary and other benefits <i>HK\$'000</i>	Employer's contribution to pension scheme <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Other benefits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive Directors:						
Mr Liu Stefan	120	374	15	365	240	1,114
Mr Ng Chee Hung Frederick	120	787	15	393	–	1,315
Non-executive Directors:						
Mr Li	60	–	–	–	–	60
Mr Stephen Gregory McCoy	60	–	–	69	–	129
Independent Non-executive Directors:						
Ms Zhao Guixin	120	–	–	–	–	120
Mr Cornelis Jacobus Keyser	120	–	–	–	–	120
Mr Lin Wenhui	120	–	–	–	–	120
	720	1,161	30	827	240	2,978
	720	1,161	30	827	240	2,978

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

For the year ended 31 December 2012

Name of director	Director's fee <i>HK\$'000</i>	Salary and other benefits <i>HK\$'000</i>	Employer's contribution to pension scheme <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Other benefits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive Directors:						
Mr Liu Stefan	120	444	14	882	318	1,778
Mr Ng Chee Hung Frederick	120	788	14	–	–	922
Non-executive Directors:						
Mr Li	60	–	–	–	–	60
Mr Stephen Gregory McCoy	60	568	–	–	–	628
Independent Non-executive Directors:						
Ms Zhao Guixin	120	–	–	–	–	120
Mr Cornelis Jacobus Keyser	120	–	–	–	–	120
Mr Lin Wenhui	120	–	–	–	–	120
Mr Ba Shusong (<i>note</i>)	76	–	–	–	–	76
	796	1,800	28	882	318	3,824
	796	1,800	28	882	318	3,824

Note: Mr. Ba Shusong has tendered his resignation from 20 August 2012.

During the years ended 31 December 2014, 2013 and 2012, no directors of KVB Kunlun Group waived any emoluments and no emolument was paid to any of the directors as an inducement to join or upon joining KVB Kunlun Group or as compensation for loss of office.

(b) Five highest paid individuals

The five highest paid employees during the years ended 31 December 2014 and 2013 included three and one directors respectively, details of whose remuneration are set out in Note 25(a) above. Details of the remuneration of the remaining non-directors, highest paid employees during the years ended 31 December 2014 and 2013 are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Salary and commission	1,728	3,708	3,280
Employer's contribution to pension scheme	34	144	154
Discretionary bonuses	150	676	–
	1,912	4,528	3,434
	1,912	4,528	3,434

No emoluments have been paid to these individuals as an inducement to join or upon joining KVB Kunlun Group or as compensation for loss of office during the years ended 31 December 2014 and 2013.

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

The emoluments of the highest-paid individuals of KVB Kunlun Group other than the directors fall within the following bands:

	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Emolument bands			
– HK\$0 to HK\$1,000,000	1	–	1
– HK\$1,000,001 to HK\$1,500,000	1	4	1
– HK\$1,500,001 to HK\$2,000,000	–	–	1
– HK\$2,000,001 to HK\$2,500,000	–	–	–
	<u> </u>	<u> </u>	<u> </u>

26 INVESTMENT IN A SUBSIDIARY

KVB Kunlun

	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Investment in a subsidiary			
Investments, at cost:			
Unlisted shares	5,265	1	1
Capital contribution relating to share-based payment	<u>2,844</u>	<u>–</u>	<u>–</u>
	<u>8,109</u>	<u>1</u>	<u>1</u>

The capital contribution relating to share based payment relates to options on 23,440,000 shares granted by KVB Kunlun to employees and directors of subsidiary undertakings in KVB Kunlun Group. Refer to note 24 to the consolidated financial statements for further details on KVB Kunlun Group's share option scheme.

As at the date of the report, KVB Kunlun had direct and indirect interests in the following subsidiaries:

Company name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued share capital/ Particulars of issued share capital	Equity Interest held
LXL Capital I Limited ^{Note 1}	British Virgin Island, Limited liability company	Investment holding, British Virgin Island	US\$200	100% (direct)
KVB Kunlun New Zealand Limited	New Zealand, Limited liability company	Provision of leveraged foreign exchange services, New Zealand	NZ\$10,862,083	100% (indirect)
KVB Kunlun Pty Limited	Australia, Limited liability company	Provision of sales service, Australia	AU\$1,800,010	100% (indirect)
KVB Kunlun International (HK) Limited	Hong Kong, Limited liability company	Provision of management services and leveraged foreign exchange trading services, Hong Kong	100,000,000 Ordinary shares	100% (indirect)

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

Company name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued share capital/ Particulars of issued share capital	Equity Interest held
LXL Capital II Limited ^{Note 1}	British Virgin Island, Limited liability company	Investment holding, British Virgin Island	US\$100	100% (indirect)
LXL Capital III Limited ^{Note 1}	British Virgin Island, Limited liability company	Investment holding, British Virgin Island	US\$200	100% (indirect)
LXL Capital IV Limited ^{Note 1}	British Virgin Island, Limited liability company	Investment holding, British Virgin Island	US\$100	100% (indirect)
LXL Capital IX Limited ^{Note 1}	British Virgin Island, Limited liability company	Investment holding, British Virgin Island	US\$100	100% (indirect)
LXL Capital VIII Limited ^{Note 1}	British Virgin Island, Limited liability company	Investment holding, British Virgin Island	US\$100	100% (indirect)
LXL Capital V Limited ^{Note 1}	British Virgin Island, Limited liability company	Investment holding, British Virgin Island	US\$100	100% (indirect)
Yorkcastle Capital Limited ^{Note 2}	Hong Kong, Limited liability company	Investment holding, Hong Kong	1,000,000 Ordinary shares	100% (indirect)
Zhuhai Hengqin Kunlun Financial Exchange Limited ^{Note 2}	People's Republic of China, Limited liability company	Provision of financial services, People's Republic of China	RMB10,000,000	100% (indirect)

Note 1: No audited financial statements have been prepared as these companies are incorporated in a jurisdiction which does not have any statutory audit requirements.

Note 2: The Companies are newly incorporated and has no operation during the current year.

27 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

For the outstanding balance due from or to related parties, net amount is presented when KVB Kunlun Group has a legally enforceable right to set off the recognized amounts, and intends to settle on a net basis.

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

- (a) KVB Kunlun Group and KVB Kunlun had the following material transactions and balances with related parties during the year.

KVB Kunlun Group

	<i>Note</i>	2014	2013	2012
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Transactions				
Management fee income for the provision of group management, IT, marketing and administration support from:				
– fellow subsidiaries	<i>(i)</i>	2,019	2,508	7,916
Commission income shared from:	<i>(ii)</i>			
– a fellow subsidiary		–	–	39
Management fee expense for the provision of information technology support, financial system and websites maintenance services, marketing promotion, customer services and reconciliation to:				
– ultimate holding company	<i>(iii)</i>	799	661	2,543
– fellow subsidiaries		361	328	82
Amount paid for the provision of software development and maintenance services, IT infrastructure project management and maintenance services and IT risk assessment services to:				
– a fellow subsidiary	<i>(iv)</i>	4,865	–	–
Outstanding balances				
Due from related parties:				
– ultimate holding company	<i>(vi)</i>	–	23	–
– fellow subsidiaries	<i>(ix)</i>	–	75	201
Other assets and prepayments:	<i>(vii)</i>			
– travel advances to key management		–	3	1
Due to related parties:	<i>(viii)</i>			
– fellow subsidiaries		488	312	698
– ultimate holding company		–	–	3,683

KVB Kunlun

	<i>Note</i>	2014	2013	2012
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Outstanding balances				
Due from related parties:				
– subsidiary	<i>(v)</i>	64,653	65,907	23,252
– ultimate holding company	<i>(vi)</i>	–	12	–
Due to related parties:	<i>(viii)</i>			
– subsidiaries		13,901	663	9,269

Notes:

- (i) Management fee income is determined with reference to the cost of provision of group management, IT, marketing and administration support services plus mark up.

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

- (ii) Commission income is charged with reference to the profit sharing arrangement with independent third parties.
 - (iii) Management fee expenses are charged for the provision of information technology support, marketing, customer services and reconciliation, financial system and web sites maintenance services with reference to the costs incurred.
 - (iv) Amounts are paid for provision of software development and maintenance services, IT infrastructure project management and maintenance services and IT risk assessment services.
 - (v) Amounts due from a subsidiary represents intercompany loans with KVB NZ, which are interest bearing and repayable in accordance with loan agreements agreed with both parties. The amounts due from a subsidiary were unsecured, except for US\$6,500,000 (31 December 2013: US\$2,500,000) which is secured by a charge over the assets of KVB NZ in the form of a general security agreement entered by both parties.
 - (vi) Amounts due from ultimate holding company are unsecured, non-interest bearing and repayable on demand.
 - (vii) Travel advances to key management are unsecured, non-interest bearing and repayable on demand.
 - (viii) Amounts due to related parties are unsecured, non-interest bearing and repayable on demand.
 - (ix) Amounts due from fellow subsidiaries are unsecured, non-interest bearing and repayable on demand.
- (b) Key management includes directors (executive & non-executive) and the remuneration of the key management personnel of KVB Kunlun Group was as follows:

	2014	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salary and other benefits	1,153	1,161	1,800
Employer's contribution to pension scheme	34	30	28
Discretionary bonuses	96	827	882
Other benefits	960	960	1,114
	2,243	2,978	3,824
	2,243	2,978	3,824

28 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

	2014	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for	–	915	915
	–	915	915
	–	915	915

(b) Operating lease commitments

KVB Kunlun Group leases offices under non-cancellable operating lease commitments existing at the year end. Leases were negotiated for an average term of 3 to 6 years.

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

KVB Kunlun Group is required to give six months notice for termination of these leases.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within one year	13,839	12,519	15,207
One to five years	46,258	10,070	22,208
	<u>60,097</u>	<u>22,589</u>	<u>37,415</u>

29 SUBSEQUENT EVENTS

- (1) On 29 January 2015, the controlling shareholder of KVB Kunlun Group and CITIC Securities Company Limited (“CITIC Securities”), a company incorporated in the People’s Republic of China, entered into the share purchase agreement pursuant to which CITIC Securities has agreed to acquire 1,200,000,000 shares of KVB Kunlun Group, which represented 60% of the entire issued share capital of KVB Kunlun Group from the controlling shareholder. Completion of the transaction is subject to the satisfaction of conditions as stipulated in the share purchase agreement.

Upon completion, the total of 38,280,000 share options granted during 2014 will be subject to cancellation under an unconditional mandatory cash offer to be made by CITIC Securities, subject to the conditions and completion of the share purchase agreement. Management is in the process of evaluating the financial impact on the cancellation of the share options to KVB Kunlun Group.

- (2) A final dividend in respect of the year ended 31 December 2014 of HK\$1.075 cents per ordinary share, amounting to a total dividend of HK\$21,500,000 is recommended at the Board of Directors meeting on 31 March 2015. The proposed final dividend for the year ended 31 December 2014 is subject to the approval of KVB Kunlun’s shareholders at the forthcoming annual general meeting.

3. INDEBTEDNESS

Indebtedness Statement

Indebtedness

At the close of business on 31 March 2015, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Document, KVB Kunlun Group had finance lease obligations amounting to HK\$96,000.

As at 31 March 2015, certain bank balances of KVB Kunlun Group amounting to approximately HK\$47.6 million were used to secure overdraft facilities, corporate credit cards and office lease bonds.

General

Save as aforesaid, at the close of business on 31 March 2015, KVB Kunlun Group did not have any outstanding debt securities and loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness (whether guaranteed, unguaranteed, secured or unsecured), mortgages, charges or debentures, guarantees or other material contingent liabilities.

APPENDIX II FINANCIAL INFORMATION OF KVB KUNLUN GROUP

The Directors have confirmed that there has not been any other material change in the indebtedness and contingent liabilities of KVB Kunlun Group since 31 December 2014 and up to the date of this Composite Document.

4. MATERIAL CHANGE

As at the Latest Practicable Date, there was no material change in the financial or trading position or outlook of KVB Kunlun Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of KVB Kunlun were made up.

1. RESPONSIBILITY STATEMENT

All directors of KVB Kunlun jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Offeror, its ultimate beneficial owner and parties acting in concert with them), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

All directors of the Offeror and the directors of CITIC Securities jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to KVB Kunlun Group, the Vendor and parties acting in concert with them), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the directors of KVB Kunlun) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. CORPORATE INFORMATION OF KVB KUNLUN

KVB Kunlun was incorporated in the Cayman Islands on 9 November 2010 as an exempted company with limited liability, the issued shares of which are listed on GEM of The Stock Exchange. KVB Kunlun is an investment holding company and its subsidiaries are principally engaged in leveraged foreign exchange and other trading, cash dealing business, and other services.

The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its head office and principal place of business in Hong Kong is suites 7501 & 7508, 75/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

3. SHARE CAPITAL AND SHARE OPTIONS OF KVB KUNLUN

The authorised share capital and the issued share capital of KVB Kunlun as at the Latest Practicable Date were HK\$40,000,000 divided into 4,000,000,000 KVB Shares and HK\$20,213,200 divided into 2,021,320,000 KVB Shares respectively.

All existing issued KVB Shares rank pari passu in all respects including all rights as to dividends, voting and interests in capital.

As at the Latest Practicable Date, KVB Kunlun has outstanding KVB Options to subscribe for up to 16,910,000 KVB Shares, of which 12,940,000 KVB Options are vested and exercisable at the exercise price of HK\$0.414 per KVB Share during the exercise period from 10 January 2015 to 9 January 2018. All outstanding KVB Options were granted pursuant to a share option scheme adopted by KVB Kunlun on 3 June 2013.

Save for the outstanding KVB Options, as at the Latest Practicable Date, KVB Kunlun had no outstanding options, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, KVB Shares.

Save for the 21,320,000 KVB Shares issued on 1 April 2015 as a result of the exercise of KVB Options by certain directors and certain share option holders, details of which are set out in the paragraph headed “Dealings in securities and arrangements in relation to dealings” of Appendix III, since 31 December 2014, being the date to which the latest published audited consolidated financial statements of KVB Kunlun were made up, and up to the Latest Practicable Date, KVB Kunlun had not issued any new KVB Shares.

4. MARKET PRICES

The table below sets out the closing prices of the KVB Shares on the Stock Exchange on (i) the last business day of each of the calendar months during the Relevant Period; (ii) the last full business day immediately preceding the date of the Initial Announcement; (iii) the Last Trading Day; and (iv) the Latest Practicable Date:

Date	Closing price (HK\$)
30 May 2014	0.42
30 June 2014	0.43
31 July 2014	0.41
29 August 2014	0.40
30 September 2014	0.395
31 October 2014	0.44
10 November 2014 (the last full business day immediately preceding the date of the Initial Announcement)	0.46
28 November 2014	1.02
31 December 2014	0.90
29 January 2015 (Last Trading Day)	1.37
30 January 2015	Suspended
27 February 2015	1.48
31 March 2015	1.51
30 April 2015	1.75
29 May 2015	1.73
2 June 2015 (Latest Practicable Date)	1.70

5. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the directors in the KVB, underlying Shares and debentures of KVB Kunlun and its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the directors nor the chief executive of KVB Kunlun had any interest or short position in the shares, underlying shares or debentures of KVB Kunlun or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to KVB Kunlun and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the 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 KVB Kunlun and the Stock Exchange:

Name of directors	Capacity	Number of Shares/ Underlying Shares held		Total	Approximate % of shareholding
		Shares	Options (Note 1)		
Li Zhi Da (Note 2)	Interest in controlled corporation	300,000,000	–	300,000,000	14.84
Lin Wenhui	Beneficial owner	200,000	–	200,000	0.01
Liu Stefan	Beneficial owner	–	9,520,000	9,520,000	0.47
Ng Chee Hung Frederick	Beneficial owner	100,000	2,000,000	2,100,000	0.10
Stephen Gregory McCoy	Beneficial owner	800,000	–	800,000	0.04
Zhao Guixin	Beneficial owner	–	200,000	200,000	0.01

Note 1: These KVB Options were granted on 10 January 2014 under the share option scheme adopted by KVB Kunlun on 3 June 2013.

Note 2: Mr Li 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 meetings of KVB Holdings, he is deemed under the SFO to be interested in these 300,000,000 shares held by KVB Holdings.

Save as disclosed above, none of the Directors had any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of KVB Kunlun.

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

As at the the Latest Practicable Date, so far as was known to the directors or chief executive of KVB Kunlun, the following persons (other than the directors or chief executive of KVB Kunlun) 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 KVB Kunlun under the provisions of Divisions 2 and 3 of Part XV of the SFO or, 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 KVB Kunlun Group or held any option in respect of such capital:

Name	Capacity and nature of interest	Number of KVB Shares held		Total	Approximate % of shareholding
		Shares	Options/other derivative Interests		
Mr. Li Zhi Da (<i>Note 1</i>)	Interest in controlled corporation	300,000,000	–	300,000,000	14.84
The Offeror (<i>Note 2</i>)	Beneficial Owner	1,200,000,000	–	1,200,000,000	59.37
CITIC Securities (<i>Note 3</i>)	Other	–	300,000,000	300,000,000	14.84
KVB Kunlun Holdings Limited	Beneficial Owner	300,000,000	–	300,000,000	14.84
Calypso International Investment Co Limited (<i>Note 4</i>)	Beneficial Owner	106,525,000	–	106,525,000	5.27
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) (<i>Note 4</i>)	Interest in controlled corporation	106,525,000	–	106,525,000	5.27
HNA Group Co., Ltd. (海航集團有限公司) (<i>Note 4</i>)	Interest in controlled corporation	106,525,000	–	106,525,000	5.27
Yangpu Jianyun Investment Co., Ltd. (洋浦建運投資有限公司) (<i>Note 4</i>)	Interest in controlled corporation	106,525,000	–	106,525,000	5.27

Name	Capacity and nature of interest	Number of KVB Shares held		Total	Approximate % of shareholding
		Shares	Options/other derivative Interests		
Hainan Traffic Administration Holding Co., Ltd. (海南交管控股有限公司) (Note 4)	Interest in controlled corporation	106,525,000	–	106,525,000	5.27
Shengtang Development (Yangpu) Co. Ltd. (盛唐發展(洋浦)有限公司) (Note 4)	Interest in controlled corporation	106,525,000	–	106,525,000	5.27
Labour Union of Hainan Airlines Co., Ltd. (海南航空股份有限公司工會委員會) (Note 4)	Interest in controlled corporation	106,525,000	–	106,525,000	5.27

Note 1: Mr. Li, a non-executive director of KVB Kunlun, was entitled to control over one-third of the voting power at general meetings of KVB Holdings.

Note 2: The Offeror is wholly-owned by CITIC Securities.

Note 3: Pursuant to the Share Purchase Agreement, the Vendor conferred to CITIC Securities a right of first refusal for the period commencing on the date falling six months after the completion of the Offers and expiring on the date falling twenty-four months after the completion of the Offers in respect of the 300,000,000 KVB Shares (the “RFR Shares”) retained by the Vendor after the Completion at a consideration of HK\$1. CITIC Securities is thus deemed to be interested in the RFR Shares in KVB Kunlun under the SFO.

Note 4: As confirmed by Calypso International Investment Co., Limited, as at the Latest Practicable Date, Calypso International Investment Co., Limited was 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 was in turn owned as to 91.09% by HNA Group Co., Ltd. (海航集團有限公司). HNA Group Co., Ltd. was 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. was 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. was held as to 65% by the Labour Union of Hainan Airlines Co., Ltd. (海南航空股份有限公司工會委員會).

Save as disclosed above, none of the director of KVB Kunlun had any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of KVB Kunlun.

6. INTERESTS IN KVB KUNLUN AND THE OFFEROR AND ARRANGEMENTS IN CONNECTION WITH THE OFFERS

As at the Latest Practicable Date,

- (a) neither KVB Kunlun nor the directors of KVB Kunlun was interested in or owned or controlled any shares, convertible securities, warrants, options or derivatives of the Offeror;
- (b) save as disclosed in section 5 of this Appendix, neither CITIC Securities Corporate Finance (HK) Limited, CITIC Securities, the Offeror, its directors nor parties acting in concert with the Offeror or CITIC Securities was interested in or owned or controlled any KVB Shares, derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, KVB Shares;
- (c) there was no shareholding in KVB Kunlun which the Offeror, CITIC Securities or parties acting in concert with any of them borrowed or lent;
- (d) there was no shareholding in KVB Kunlun which KVB Kunlun or any directors of KVB Kunlun had borrowed or lent;
- (e) none of the subsidiaries of KVB Kunlun or pension fund of KVB Kunlun or of a subsidiary of KVB Kunlun or an adviser to KVB Kunlun as specified in class (2) of the definition of “associate” under the Takeovers Code owned or controlled any KVB Shares, convertible securities, warrants, options or derivatives of KVB Kunlun;
- (f) save and except for the Share Purchase Agreement, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with KVB Kunlun or with any person who was an associate of KVB Kunlun by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code or with the Offeror, CITIC Securities, or parties acting in concert with any of them;
- (g) no KVB Shares, convertible securities, warrants, options or derivatives of KVB Kunlun were managed on a discretionary basis by fund managers connected with KVB Kunlun;
- (h) save for the Non-acceptance Shares held by the Vendor as disclosed in the sub-section headed “Non-acceptance Undertaking” under the section headed “The Offers” in the “Letter from CITIC Securities Corporate Finance (HK) Limited” set out in this Composite Document, no other person had irrevocably committed himself or herself or itself to accept or reject the Offers;
- (i) there was no agreement or arrangement between any director of KVB Kunlun and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers;
- (j) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror, CITIC Securities or parties acting in concert with any of them and any director of KVB Kunlun, recent directors of KVB Kunlun, KVB Shareholders or recent KVB Shareholders having any connection with or dependence upon the Offers;

- (k) there was no agreement or arrangement to which CITIC Securities or the Offeror was a party which related to the circumstances in which CITIC Securities or the Offeror may or may not invoke or seek to invoke a condition to the Offers;
- (l) the Offeror had no intention to transfer, charge or pledge the KVB Shares acquired in pursuance of the Offers to any other persons nor had the Offeror entered into any such agreement, arrangement or understanding.

7. DEALINGS IN SECURITIES AND ARRANGEMENTS IN RELATION TO DEALINGS

During the Relevant Period and up to the Latest Practicable Date, the following Directors have dealt for value in any KVB Shares or any convertible securities, warrants, option or derivatives issued by KVB Kunlun:

Name of Director	Date of dealing	Nature of dealing	Number of relevant KVB Shares dealt	Selling price/ exercise price per KVB Share	(In respect of KVB Option exercised) any option money paid or received
Stephen Gregory McCoy	27 March 2015	Exercise of KVB Option	800,000	0.4140	331,200
Lin Wenhui	27 March 2015	Exercise of KVB Option	200,000	0.4140	82,800
Ng Chee Hung Frederick	27 March 2015	Exercise of KVB Option	2,000,000	0.4140	828,000
	2 April 2015	Sale	300,000	1.502	–
	2 April 2015	Sale	200,000	1.610	–
	2 April 2015	Sale	200,000	1.610	–
	2 April 2015	Sale	150,000	1.500	–
	2 April 2015	Sale	150,000	1.500	–
	2 April 2015	Sale	100,000	1.502	–
	2 April 2015	Sale	100,000	1.510	–
	2 April 2015	Sale	100,000	1.520	–
	2 April 2015	Sale	100,000	1.5390	–
	2 April 2015	Sale	100,000	1.5500	–
	2 April 2015	Sale	100,000	1.6100	–
	2 April 2015	Sale	60,000	1.5000	–
	2 April 2015	Sale	50,000	1.5200	–
	2 April 2015	Sale	50,000	1.5300	–
2 April 2015	Sale	50,000	1.5200	–	
2 April 2015	Sale	35,000	1.5100	–	
2 April 2015	Sale	55,000	1.6200	–	
Cornelis Jacobus Keyser	27 March 2015	Exercise of KVB Option	200,000	0.4140	82,800
	2 April 2015	Sale	200,000	1.500	–

Save for the Sale Shares and save as disclosed above, none of the Directors have dealt for value in any KVB Share or any convertible securities, warrants, option or derivatives issued by KVB Kunlun during the Relevant Period and up to the Latest Practicable Date.

As at the Latest Practicable Date,

- (a) save for the entering into the LOI and the Share Purchase Agreement, neither CITIC Securities, the Offeror, its directors nor parties acting in concert with the Offeror or CITIC Securities had dealt for value in any KVB Shares, convertible securities, warrants, options or derivatives of KVB Kunlun during the Relevant Period;
- (b) none of KVB Kunlun or its directors had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror;
- (c) save for the Sale Shares, none of the directors of KVB Kunlun had dealt for value in any KVB Shares, convertible securities, warrants, options or derivatives of KVB Kunlun;
- (d) no fund managers who were connected with KVB Kunlun had dealt for value in any KVB Shares, convertible securities, warrants, options or derivatives of KVB Kunlun which were managed on a discretionary basis;
- (e) save for the Sale Shares, no person who is an associate of KVB Kunlun by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders) had dealt for value in any KVB Shares, convertible securities, warrants, options or derivatives of KVB Kunlun; and
- (f) none of the subsidiaries of KVB Kunlun and pension fund of KVB Kunlun or of a subsidiary of KVB Kunlun or an adviser to KVB Kunlun as specified in class (2) of the definition of “associate” under the Takeovers Code had dealt for value in any KVB Shares, convertible securities, warrants, options or derivatives of KVB Kunlun.
- (g) none of the directors of KVB Kunlun intends to (i) accept the Share Offer in respect of the KVB Shares held by them but may consider selling their KVB Shares in the market instead of accepting the Share Offer if the market price of the KVB Shares exceeds the Share Offer Price during the Offer Period and the net proceeds (net of transaction costs) exceed the net proceeds receivable under the Share Offer or (ii) accept the Option Offer in respect of the KVB Options held by them but may consider exercising the KVB Options during the Offer Period.

The Offeror confirms that as at the Latest Practicable Date,

- (i) CITIC Securities, the Offeror, its ultimate beneficial owner, and/or parties acting in concert with any of them had not received any irrevocable commitment to accept the Offers;

- (ii) save for the RFR Shares, there was no outstanding derivative in respect of securities in KVB Kunlun which has been entered into by CITIC Securities, the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them;
- (iii) there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which exists between CITIC Securities, the Offeror, or parties acting in concert with any of them, and any other person, or between any other associate of CITIC Securities or the Offeror and any other person;
- (iv) save for the Sale Shares, none of CITIC Securities, the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them owned or had control or direction over any voting rights or rights over the KVB Shares or convertible securities, options, warrants or derivatives of KVB Kunlun;
- (v) there was no agreement or arrangement to which CITIC Securities, the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them was a party which relates to circumstances in which it might or might not invoke or seek to invoke a pre-condition or a condition to the Offers; and
- (vi) there was no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in KVB Kunlun which CITIC Securities, the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them had borrowed or lent.

8. DIRECTORS' SERVICE CONTRACTS AND OTHER INTERESTS

KVB Kunlun has entered into a service agreement 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 for retirement by rotation in the memorandum and articles of association of KVB Kunlun), details of which are also set out below. Save for disclosed below, as at the Latest Practicable Date, none of the directors of KVB Kunlun had any service contracts with KVB Kunlun or any of its subsidiaries or associated companies (a) which (including continuous or fixed term contracts) were entered into or amended within six months before the commencement of the Offer Period; (b) which were continuous contracts with a notice period of 12 months or more; or (c) 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. Stefan Liu	KVB Kunlun	18 December 2012	From 3 July 2013 to 2 July 2016	HK\$10,000 per month	Discretionary year-end bonus as determined by the Board

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. Ng Chee Hung Frederick	KVB Kunlun	18 December 2012	From 3 July 2013 to 2 July 2016	HK\$10,000 per month	Discretionary year-end bonus as determined by the Board
Mr. Li Zhi Da	KVB Kunlun	18 December 2012	From 3 July 2013 to 2 July 2016	HK\$60,000 per annum	–
Mr. Stephen Gregory McCoy	KVB Kunlun	18 December 2012	From 3 July 2013 to 2 July 2016	HK\$60,000 per annum	–
Mr. Cornelis Jacobus Keyser	KVB Kunlun	15 April 2014	From 15 April 2014 to 14 April 2017	HK\$120,000 per annum	–
Ms. Zhao Guixin	KVB Kunlun	15 April 2014	From 15 April 2014 to 14 April 2017	HK\$120,000 per annum	–
Lin Wenhui	KVB Kunlun	16 July 2014	From 16 July 2014 to 15 July 2017	HK\$120,000 per annum	–

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

No contracts of significance in relation to KVB Kunlun Group's business to which KVB Kunlun or its subsidiaries was a party and in which a director of KVB Kunlun had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

No benefit (other than statutory compensation) has been or will be given to any director of KVB Kunlun as compensation for loss of office or otherwise in connection with the Offers.

There was no material contract to which the Offeror is a party in which any director of KVB Kunlun has a material personal interest save for the Share Purchase Agreement.

9. LITIGATION

As at the Latest Practicable Date, neither KVB Kunlun nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the directors of KVB Kunlun to be pending or threatened against KVB Kunlun or any of its subsidiaries.

10. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contract (not being contracts entered into in the ordinary course of business) has been entered into by KVB Kunlun and its subsidiaries within the two years preceding the date of the Initial Announcement and ending on the Latest Practicable Date and is or maybe material in relation to the business of KVB Kunlun as a whole:

On 29 January 2014, KVB Kunlun and Banclogix entered into the Information Technology Services Agreement in respect of transactions relating to the provision of software development and maintenance services, IT infrastructure project management and maintenance services, and IT risk assessment services to KVB Kunlun Group, with proposed annual caps at HK\$5 million for the period from 29 January 2014 to 31 December 2014 and HK\$5.5 million for the year ending 31 December 2015.

11. CONSENTS AND QUALIFICATIONS

The following are the qualifications of the experts contained in this Composite Document:

Name	Qualification
CITIC Securities Corporate Finance (HK) Limited	a licensed corporation permitted to carry out Types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO
Octal Capital Limited	a licensed corporation under the SFO authorised to carry out regulated activities of Type 1 (dealing in securities) and Type 6 (advising on corporate finance)

Each of CITIC Securities Corporate Finance (HK) Limited and Octal Capital Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and/or report and/or the reference to its name in the form and context in which they appear herein.

As at the Latest Practicable Date, none of CITIC Securities Corporate Finance (HK) Limited or Octal Capital Limited had any shareholding in any member of KVB Kunlun Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of KVB Kunlun Group.

As at the Latest Practicable Date, none of CITIC Securities Corporate Finance (HK) Limited or Octal Capital Limited had any direct or indirect interest in any assets which have been, since 31 December 2014 (the date to which the latest published audited consolidated financial statements of KVB Kunlun Group were made up), acquired or disposed of by or leased to any member of KVB Kunlun Group, or are proposed to be acquired or disposed of by or leased to any member of KVB Kunlun Group.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of KVB Kunlun (<http://www.kvblastco.com>); (ii) on the website of the SFC (www.sfc.hk) and; (iii) at the principal place of business of KVB Kunlun at Suites 7501 & 7508, 75th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong from 5 June 2015, being the date of this Composite Document up to and including the Closing Date or the date on which the Offers extended or revised (whichever is earlier):

- (a) the memorandum and articles of association of KVB Kunlun;
- (b) the memorandum and articles of association of the Offeror;
- (c) the annual reports of KVB Kunlun Group for the years ended 31 December 2013 and 31 December 2014 containing its audited consolidated financial statements for the years ended 31 December 2013 and 2014 and the prospectus of KVB Kunlun Group dated 11 June 2013 containing the accountants' report for the year ended 31 December 2012.
- (d) the quarterly report of KVB Kunlun Group for the three months ended 31 March 2015;
- (e) the letter from CITIC Securities Corporate Finance (HK) Limited, the text of which is set out on pages 7 to 17 of this Composite Document;
- (f) the letter from the board of KVB Kunlun, the text of which is set out on pages 18 to 26 of this Composite Document;
- (g) the letter from the independent board committee of KVB Kunlun to the Independent KVB Shareholders and the KVB Option Holders, the text of which is set out on pages 27 to 28 of this Composite Document;
- (h) the letter from Octal Capital Limited to the independent board committee of KVB Kunlun, the text of which is set out on pages 29 to 51 of this Composite Document;
- (i) the written consents referred to under the paragraph headed "11. Consents and qualifications" in this Appendix III;
- (j) the directors' service contracts referred to under the paragraph headed "8. Directors' Service Contracts and Other Interests" in this Appendix III;

- (k) the material contract referred to under the paragraph headed “10. Material contracts” in this Appendix III;
- (l) the Share Purchase Agreement; and
- (m) this Composite Document and the accompanying Form(s) of Acceptance.

13. MISCELLANEOUS

As at the Latest Practicable Date:

- (a) The registered address of the Offeror is situated at 26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong.
- (b) The registered address of CITIC Securities is situated at North Tower, Excellence Times Plaza II No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province, the PRC.
- (c) The registered office of CITIC Securities Corporate Finance (HK) Limited is situated at 26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong.
- (d) The registered office of Octal Capital Limited is situated at 801-805, 8th Floor, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.
- (e) The English text of this Composite Document and the accompanying Form(s) of Acceptance shall prevail over their respective Chinese text in case of inconsistency.