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金利豐金融集團有限公司
KINGSTON FINANCIAL GROUP LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 01031)

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO
DISCLOSEABLE TRANSACTION
SETTLEMENT AGREEMENT IN RELATION TO THE LITIGATION
AGAINST THIRD PARTIES
INVOLVING THE SUBCO SHARES TRANSFER AND
THE GRANT OF CPC SASK OPTION**

Reference is made to the announcement of the Company dated 2 June 2013 (the “**Announcement**”) in respect of the Settlement Agreement and transactions contemplated thereunder. Capitalised terms used herein shall have the same meanings as those defined in the Announcement, unless the context otherwise requires.

The Board wishes to provide further information in respect of the Settlement Agreement and the transactions contemplated thereunder.

FURTHER INFORMATION ON THE CPC SASK OPTION

The exercise of the CPC Sask Option is at the discretion of CPC Sask and the exercise price of the CPC Sask Option was determined after arm’s length negotiations between the Plaintiff’s and the Defendant Group after taking into consideration of (i) the preliminary estimation on the value of the Permits as advised by the Valuer and (ii) the amount of the loan receivable from the Borrower (the “**Loan Receivable**”) of approximately CAD53.28 million (equivalent to approximately HK\$406.79 million) and (iii) accrued default interest calculated according to the original loan agreement entered between the Lender and the Borrower dated 20 September 2010.

If the CPC Sask Option is exercised by CPC Sask, the Group expected to record approximately HK\$219.28 million gain on the disposal of the SubCo Shares, being sales proceed of CAD82 million (approximately HK\$626.07 million) minus the current value of the Loan Receivable. The Group intends to apply the cash proceeds of HK\$626.07 million from exercising of the CPC Sask Option for the general working capital of the Group.

FURTHER INFORMATION ON THE PERMITS

The Permits cover an area of approximately 3,989.95 square kilometers in Elk Point, Saskatchewan, Canada. The major mineral involved is potash. The Permits, which were issued by the Ministry of the Economy of Saskatchewan (previously known as the Saskatchewan Ministry of Energy and Resources) in 2008, are the right to explore for and take the subsurface minerals within the permitted area. The term of the Permits shall be five years from the date of issue and such term may be extended upon application by the permittee for not more than three extension periods of one year each.

As disclosed in the Announcement, the preliminary estimation on the value of the Permits as at 30 April 2013 ranges between CAD53 million (equivalent to approximately HK\$404.66 million) and CAD85 million (equivalent to approximately HK\$648.98 million).

Roma Appraisals Limited (the “**Valuer**”) is the independent valuer appointed by the Group for the preliminary estimation of the Permits. As advised by the Valuer, after considering the current status of the Permits and reviewing all the information as provided by the Company, it would be most appropriate to adopt the in-situ resource method to estimate the value of the Permits. This method involves applications of the spot price of the subsurface minerals as at 30 April 2013 and a discount to the value of the total in-situ resource.

In estimating the value of the Permits, the Valuer has taken into account the current status of the Permits and relevant information of the Permits as provided by the Company. The Valuer has considered three generally accepted valuation approaches, namely income-based approach, market-based approach and asset-based approach. The income-based approach was not appropriate since there were not any mining plans and feasibility study available at this stage. The asset-based approach was also not appropriate since it could not reflect the true value of the Permits. With reference to the resource estimates from the independent technical report (the “**ITR**”) in relation to the Permits, in-situ resource method under the market-based approach has been adopted in this estimation. It is a fair and reasonable market practice to apply the in-situ resource method when mine plan is not available for assessing the value of mineral permits. As the in-situ resource method under market-based approach on “as-is” basis was adopted to value the Permits, no discounted cash flows, projections of profits, earning or cash flows were included in the estimation. Therefore, the preliminary estimation on the Permits will not constitute a profit forecast under Rule 14.61 of the Listing Rules.

According to the ITR, the total in-situ potash (K₂O) ore amount of the Permits is in the range of around 581 million tonnes to 994 million tonnes. The ITR states that it was prepared in accordance with NI 43-101, while the resource estimates were not NI 43-101 compliant since the spacing of the drill holes did not satisfy with the requirements of the standard.

REASONS FOR AND BENEFITS OF THE TRANSFER OF THE PERMITS TO SUBCO, SUBCO SHARES TRANSFER AND GRANTING OF THE CPC SASK OPTION

The Plaintiffs agreed with the Defendants to enter into the Transfer of Permits to the SubCo, the SubCo Shares Transfer (the “**Transfers**”) and the granting of the CPC Sask Option taking into account:

- (1) transferring the Permits as security to the Plaintiffs would safeguard the interests of the Plaintiffs; and
- (2) granting the CPC Sask Option would effectively enable the Defendants to repay the Loan to the Plaintiffs in cash.

The Board also considers that it is beneficial for the Company to enter into the Transfers and the granting of the CPC Sask Option given that:

- (1) the Company would be able to arrive a settlement with the Defendants immediately in order to avoid lengthy and costly litigation and the uncertainty of the litigation outcome;
- (2) the Company would be able to settle the Action without uncertainty and eliminate the possibility of being involved in lengthy enforcement of the judgment even if the Action is won by the Plaintiffs; and
- (3) the Company would also be able to record approximately HK\$219.28 million gain on disposal of the SubCo Shares if the CPC Sask Option is exercised.

FINANCIAL INFORMATION OF THE SUBCO AND THE LENDER

The SubCo

As at the date of this announcement, the Transfer of SubCo Permits and the SubCo Shares Transfer have been completed and the SubCo becomes a wholly-owned subsidiary of the Company. The financial results of the SubCo will be consolidated in the financial statements of the Company.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, prior to completion of the SubCo Shares Transfer, the SubCo had not commenced operations and have not been involved in any significant business transactions. Accordingly, the SubCo did not record any significant income or expenses. The SubCo recorded share capital of CAD50,000,100 (equivalent to approximately HK\$381.75 million) as at the date of this announcement. In addition, the Company is reviewing the accounting treatment in relation to the value of the Permits and shall recognise the value of the Permits in accordance with relevant accounting standards. The financial results of the SubCo including the final value of the Permits to be recognised on the financial statements of the Company shall be subjected to the review by the auditor of the Company during interim results review or annual audit.

The Lender

For each of (i) the 15 months ended 31 March 2012 and (ii) the year ended 31 March 2013, both net loss before and after taxation of the Lender were approximately HK\$5,000 for each period. As at 31 March 2013, the net liability value of the Lender was approximately HK\$9,000.

For the purpose of this announcement, conversion of CAD into HK\$ is based on the exchange rate of CAD1 to HK\$7.635. The exchange rate has been used, where applicable, for the purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

By order of the Board
Kingston Financial Group Limited
Chu, Nicholas Yuk-yui
Chairman

Hong Kong, 17 June 2013

As at the date of this announcement, the executive directors of the Company are Mr. Chu, Nicholas Yuk-yui (Chairman) and Mrs. Chu Yuet Wah (Chief Executive Officer) and the independent non-executive directors of the Company are Dr. Wong Yun Kuen, Mr. Lau Man Tak and Mr. Yu Peter Pak Yan.