

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Kingston Financial Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**(I) CONTINUING CONNECTED TRANSACTIONS:
PROVISION OF FINANCIAL SERVICES;
AND
(II) NOTICE OF SPECIAL GENERAL MEETING**

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

Nuada Limited

Corporate Finance Advisory

Capitalised terms used in the cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 4 to 14 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 15 of this circular. A letter from Nuada Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 26 of this circular.

A notice convening the SGM of the Company to be held at 11:00 a.m. on 17 March 2014 at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong is set out on pages 32 to 33 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and the Company at www.kingston.com.hk.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy for use at the SGM in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and, in any event, not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meetings should you so wish.

28 February 2014

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DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this circular shall have the following meanings:

“2014 Chu & Li’s Family Financial Services Agreement”	the financial services agreements entered between Kingston Securities and the Chu & Li’s Family dated 3 January 2014 regarding the provision of financial services
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“Chu and Li’s Family”	Mrs. Chu and her associates including her spouse, father, brother, sister, sister-in-law and brother-in-law, son, nephew, niece and certain private companies controlled by Mrs. Chu and Mr. Lee
“Company”	Kingston Financial Group Limited, a company incorporated under the laws of Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising Dr. Wong Yun Kuen, Mr. Lau Man Tak and Mr. Yu Peter Pak Yan, all being the independent non-executive Directors, established to give recommendations to the Independent Shareholders in respect of the terms of the 2014 Chu & Li’s Family Financial Services Agreement, the transactions contemplated thereunder and the related proposed annual caps
“Independent Shareholders”	Shareholders other than Mrs. Chu and her respective associates
“Independent Third Parties”	independent third parties who are not connected persons of the Company as defined in the Listing Rules and are independent of the Company and the connected persons of the Company

DEFINITIONS

“IPO”	initial public offering
“Kingston Futures”	Kingston Futures Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry out Type 2 (dealing in futures contracts) regulated activity under the SFO, which is an indirectly wholly owned subsidiary of the Company
“Kingston Securities”	Kingston Securities Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO, which is an indirect wholly owned subsidiary of the Company
“Latest Practicable Date”	26 February 2014, being the latest practicable date prior to the printing of this circular for the propose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chu”	Mr. Chu, Nicholas Yuk-yui, executive Director and the chairman of the Company, a director of Kingston Securities and Kingston Futures and the spouse of Mrs. Chu
“Mr. Lee”	Mr. Lee Wai Man, the consultant of the Company, a substantial Shareholder and father of Mrs. Chu
“Mrs. Chu”	Mrs. Chu Yuet Wah, executive Director and the chief executive officer of the Company, a director of Kingston Securities and Kingston Futures, the controlling Shareholder and the spouse of Mr. Chu
“Nuada Limited”	Nuada Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the terms of the 2014 Chu & Li’s Family Financial Services Agreement, transactions contemplated thereunder and the related proposed annual caps
“Previous Chu & Li’s Family Financial Services Agreement”	the financial services agreements entered between Kingston Securities and the Chu & Li’s Family dated 21 February 2011 regarding the provision of financial services

DEFINITIONS

“Relevant Director(s)”	certain Director and directors of the Group (where applicable, including their associate), details of which please refer to the section headed “Relevant Directors” to this circular
“SFO”	Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong
“SGM”	the special general meeting of the Company to be convened to consider and approve, if thought fit, the 2014 Chu & Li’s Family Financial Services Agreement, the transactions contemplated thereunder and the related proposed annual caps
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars
“%”	per cent.



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

Executive Directors:

Mr. Chu, Nicholas Yuk-yui (*Chairman*)
Mrs. Chu Yuet Wah (*Chief Executive Officer*)
Mr. Ho Chi Ho

Independent non-executive Directors:

Dr. Wong Yun Kuen
Mr. Lau Man Tak
Mr. Yu Peter Pak Yan

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place
of business in Hong Kong:*

Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

28 February 2014

To the Shareholders,

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS:
PROVISION OF FINANCIAL SERVICES**

INTRODUCTION

Reference is made to (i) the circular of the Company dated 25 February 2011 in relation to, among other things, the Previous Chu & Li's Family Financial Services Agreement and the transactions contemplated thereunder and (ii) the announcement of the Company dated 3 January 2014 in relation to, among other things, the 2014 Chu & Li's Family Financial Services Agreement and transactions contemplated thereunder.

The terms of the Previous Chu & Li's Family Financial Services Agreement will expire on 31 March 2014. In order for the Group to continue to provide financial services to the members of the Chu & Li's Family and their respective associates, on 3 January 2014, Kingston Securities has entered into the 2014 Chu & Li's Family Financial Services Agreement with the Chu & Li's Family for provision of financial services for a term of three years commencing from 1 April 2014 to 31 March 2017.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) details of the 2014 Chu & Li's Family Financial Services Agreement, transactions contemplated thereunder and the related proposed annual caps; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from Nuada Limited regarding the aforesaid transactions to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of SGM.

RELEVANT DIRECTORS

The following are the Relevant Directors who will enter into the 2014 Chu & Li's Family Financial Services Agreement:

Relevant Director	Connected relationship	Aggregation of transactions
Mrs. Chu	<ul style="list-style-type: none"> — Executive Director and chief executive officer of the Company — Director of Kingston Securities — Director of Kingston Futures — The controlling Shareholder — Spouse of Mr. Chu 	Mrs. Chu and her associates including her spouse, father, brother, sister, sister-in-law, brother-in-law, son, nephew, niece and certain private companies controlled by Mrs. Chu and Mr. Lee, together as "Chu & Li's Family"
Mr. Chu	<ul style="list-style-type: none"> — Executive Director and chairman of the Company — Director of Kingston Securities — Director of Kingston Futures — Spouse of Mrs. Chu 	Chu & Li's Family
Ms. Li Yuet Mei, Dilys	<ul style="list-style-type: none"> — Director of Kingston Futures — Sister of Mrs. Chu 	Chu & Li's Family

Notes:

1. On 21 January 2014, Mr. Wong Hip Keung, Jimmy was appointed as the director of Kingston Securities and Kingston Futures. He is the brother-in-law of Mrs. Chu and Mr. Chu and spouse of Ms. Li Yuet Mei, Dilys.
2. On top the 2014 Chu & Li's Family Financial Services Agreement, on 3 January 2014, Kingston Securities has entered into a brokerage service agreement with the Chu & Li's Family for provision of brokerage services for a term of three years commencing from 1 April 2014 to 31 March 2017. As the proposed annual cap contemplated under the aforesaid agreement for each of the three years ending 31 March 2015, 2016 and 2017 is less than 5% of the applicable ratios as defined in Rule 14A.10(10) of the Listing Rules (other than the profits ratio), such agreement is only subject to reporting, announcement and annual review requirements and is exempt from the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules.

LETTER FROM THE BOARD

PROCEDURES AND POLICIES OF KINGSTON SECURITIES FOR DETERMINING THE INTEREST RATES FOR MARGIN FINANCING AND IPO FINANCING

When a new client opens a margin account in Kingston Securities, the client is required to provide supporting documents including the financial background information to Kingston Securities for application, background checking and assessment of credit standing. With the assistance from the Credit and Risk Control Department, the Responsible Officer of Kingston Securities (the “**RO**”) is responsible for approving the new account opening application and the trading terms including the interest rate charged for margin financing.

Interest rates for margin financing

Kingston Securities determines the interest rate charged for margin financing based on the Hong Kong dollar prime rate (the “**Prime Rate**”) as a base rate and adjusts the spread upward or downward from the Prime Rate (the “**Spread**”). It generally offers standard Spread to most of its clients.

The RO reviews and may adjust the standard Spread offered upon the request from the client or due to changes in credit standing of the client. The RO assesses the following risk and return factors in determining the new Spread offered to the client for margin financing.

The risk factors include:

1. the securities market situation at the time;
2. whether the collaterals are a basket of securities of spread out risks or a higher concentration in certain sectors or in certain stocks;
3. the ratio of the proposed credit facilities to the total loan balance of Kingston Securities so as to estimate the impact to Kingston Securities in case the credit facilities become default;
4. the creditworthiness of the client; and
5. the marginable value of the collaterals.

The return factors (other than interest charged) includes:

1. commission rates charged by providing brokerage services;
2. turnover amounts of the security accounts maintained by the client; and
3. prospective business relationship with the client.

Interest rates for IPO financing

In respect of the interest rate for IPO financing, the Equity Capital Market Department of Kingston Securities determines the interest rate charged on IPO financing for each IPO with reference to the securities market sentiment on such IPO, the prevailing interest rates offered

LETTER FROM THE BOARD

by other market brokers and the funding cost of Kingston Securities. In general, Kingston Securities offers the same base interest rate for IPO financing to its clients for each IPO. With the approval from the RO, interest rates charged to individual clients may differ from that base interest rate depending on the amounts of initial deposit placed by such clients.

Internal control procedures of Kingston Securities to ensure the interest rates for margin financing and IPO financing offered to the members of the Chu & Li's Family are no more favourable than those interest rates offered to other independent clients

Kingston Securities adopts the following internal control procedures in order to ensure that the interests rates offered to the members of the Chu & Li's Family are no more favourable than those interest rates offered to other independent clients.

- (i) When the member of the Chu & Li's Family opens a margin account in Kingston Securities, the officer(s) from the Customer Service Department of Kingston Securities (the "CS Officer(s)") perform checking on whether the proposed interest rate for margin financing offered to such member is comparable to the interest rate offered to other independent clients. After checking by the CS Officer(s), at least one independent RO is required to review and approve the interest rates for margin financing offered to such member of the Chu & Li's Family in order to ensure the interest rate for margin financing offered to such member is no more favourable than those interest rates offered to other independent clients.
- (ii) The independent RO is responsible to approve the interest rate for IPO financing offered to a member of the Chu & Li's Family and ensure the proposed interest rate offered to such member is no more favourable than those interest rates offered to other independent clients.
- (iii) The independent non-executive Directors will perform an annual review pursuant to Rule 14A.37 of the Listing Rules including whether the IPO and margin financings provided to the members of the Chu & Li's Family are conducted in the ordinary course of business of the Company and on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, or on terms no less favourable to Kingston Securities than those offered to the Independent Third Parties.
- (iv) Pursuant to Rule 14A.38 of the Listing Rules, the Company's auditor will confirm, amongst other thing, (i) whether the IPO and margin financings provided to the members of the Chu & Li's Family are in accordance with the pricing policies of the Group; (ii) whether the IPO and margin financings provided to the members of the Chu & Li's Family have been entered into in accordance with the 2014 Chu & Li's Family Financial Services Agreement; and (iii) whether the annual caps of the IPO and margin financings have been exceeded.

Based on the aforesaid procedures and policies of Kingston Securities for determining the interest rates for margin financing and IPO financing, the Board consider that the policies and procedures adopted by Kingston Securities are able to ensure the transactions contemplated

LETTER FROM THE BOARD

under the 2014 Chu & Li's Family Financial Services Agreement are being conducted on normal commercial terms and not prejudicial to the interests of the Company and the minority Shareholders.

THE 2014 CHU & LI'S FAMILY FINANCIAL SERVICES AGREEMENT

Kingston Securities has entered into the 2014 Chu & Li's Family Financial Services Agreement with the Chu & Li's Family on 3 January 2014, pursuant to which Kingston Securities may, upon request, (but not obliged to) provide to the Chu & Li's Family financial services, including margin and IPO financings, on normal commercial terms at the interest rate comparable to interest rates offered to other clients of Kingston Securities who are Independent Third Parties of similar credit standing, trading record and/or quality of collaterals given and in accordance with the policy of Kingston Securities from time to time. Such agreement is for a term of 3 years commencing from 1 April 2014 and ending on 31 March 2017.

Pricing standard

As stipulated in the 2014 Chu & Li's Family Financial Services Agreement, the interest rates charged to each of the members of the Chu & Li's Family are comparable to the interest rates offered to other clients of Kingston Securities who are Independent Third Parties of similar credit standing, trading record and/or quality of collaterals.

Kingston Securities generally offers the standard Spreads to the members of the Chu & Li's Family and may adjust the standard Spread offered to different members after assessing the risks and expected return in providing margin financing to them according to the policy of Kingston Securities. The interest rates offered to the members of the Chu & Li's Family for margin financing are no more favourable than those offered to other independent clients of similar credit standing, trading record and/or quality of collaterals.

Kingston Securities offers the same base interest rate for IPO financing to the members of the Chu & Li's Family and the independent clients for each IPO and may adjust the interest rate offered to them in consideration of the initial deposit amounts placed by them.

LETTER FROM THE BOARD

Historical information

The following table sets out (i) the historical annual caps amount under the Previous Chu & Li's Family Financial Services Agreement with the Chu & Li's Family for each of the three years ended or ending 31 March 2012, 2013 and 2014; (ii) the maximum amounts of IPO and/or margin financings provided by Kingston Securities and the amounts of interest income received from the Chu & Li's Family for each of the two years ended 31 March 2012 and 2013 and for the six months ended 30 September 2013.

	For the year ended 31 March		For the six months ended 30 September	For the year ending 31 March
	2012	2013	2013	2014
	<i>Approximate</i>	<i>Approximate</i>	<i>Approximate</i>	<i>Approximate</i>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<i>Chu & Li's Family</i>				
— Historical annual cap of IPO financing	800,000,000	800,000,000	Not applicable	800,000,000
— Historical maximum amount of IPO financing (<i>Note 2</i>)	76,362,000	—	—	Not applicable
— Historical annual cap of margin financing	210,000,000	210,000,000	Not applicable	210,000,000
— Historical maximum amount of margin financing (<i>Note 2</i>)	77,068,000	179,654,000	124,103,000	Not applicable
— Total interest income received	1,314,000	1,274,000	1,676,000	Not applicable

Notes:

- An investor who (i) subscribes for securities through the IPO or (ii) purchases securities in the secondary market may settle in full or may borrow part of the purchase cost from the security house. If the investor chooses to borrow money, he/she/it has to open a margin account. The portion of the purchase cost that the investor deposits is called "margin". The investor's credit facility is secured against the purchased securities or other securities held in the margin account as collateral.
- The historical maximum amounts of IPO financing and margin financing represent the maximum amount of loans advanced to the Chu & Li's Family for IPO financing and margin financing respectively on a daily basis for each of the two years ended 31 March 2012 and 2013 and for the six months ended 30 September 2013.

LETTER FROM THE BOARD

Proposed annual caps

The proposed annual caps for each of the three years ending 31 March 2015, 2016 and 2017 in respect of financial services which proposed to be provided by Kingston Securities under the 2014 Chu & Li's Family Financial Services Agreement are set out as follows:

Annual caps		For the year ending 31 March		
		2015	2016	2017
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Chu & Li's Family	Annual cap of IPO financing <i>(Note)</i>	800,000,000	800,000,000	800,000,000
	Annual cap of margin financing <i>(Note)</i>	300,000,000	300,000,000	300,000,000

Note: The relevant annual caps of IPO financing and margin financing represent the maximum amount of loans advanced to the Chu & Li's Family for IPO financing and margin financing respectively on a daily basis for each of the three years ending 31 March 2015, 2016 and 2017.

Proposed annual caps for IPO financing

The proposed annual caps for IPO financing under the 2014 Chu & Li's Family Financial Services Agreement were determined after arm's length negotiation with the Chu & Li's Family, after taking into consideration of:

- (i) the historical amounts of IPO financing advanced to the Chu & Li's Family for each of the two years ended 31 March 2012 and 2013 and the six months ended 30 September 2013;
- (ii) the historical maximum amount of IPO financing of approximately HK\$757 million advanced to the Chu & Li's Family for the year ended 31 March 2008;
- (iii) the estimated potential or possible amounts of IPO financings to be advanced to the Chu & Li's Family (where applicable, including their associates) for each of the three years ending 31 March 2015, 2016 and 2017 after taking into account of the investment strategies and plans of the members of the Chu & Li's Family;
- (iv) the interest rates offered to the Chu & Li's Family in respect of the IPO financing;
- (v) the sound credit standing of the members of the Chu & Li's Family after reviewing their historical repayment records and financial position;
- (vi) the number of IPO applications received by the Stock Exchange recently and prevailing securities market condition; and
- (vii) the recovering economic condition and market sentiment of the securities market in Hong Kong.

LETTER FROM THE BOARD

The Directors note that the total fund raised and the number IPO activities in Hong Kong have increased substantially in 2013. According to the information published on the website of the Stock Exchange, the fund raised through IPO activities in 2013 was approximately HK\$166,500 million, representing an increase of approximately 85% when compared with that of approximately HK\$90,043 million in 2012. As at 30 January 2014, there were 41 active applications of new listing accepted and under processing by the Stock Exchange. As such, it is reasonable to anticipate that, the IPO activities in Hong Kong will remain active in 2014 and the amount of IPO financing advanced to the Chu & Li's Family might increase compared to that of the historical transaction amounts recorded during the period covered by the Previous Chu & Li's Family Financial Services Agreement.

Proposed annual caps for margin financing

The proposed annual caps for margin financing under the 2014 Chu & Li's Family Financial Services Agreement were determined after arm's length negotiation with the Chu & Li's Family, after taking into consideration of:

- (i) the maximum historical amounts of margin financing of approximately HK\$180 million advanced to the Chu & Li's Family during the two years ended 31 March 2012 and 2013 and the six months ended 30 September 2013, which represented approximately 86% of the relevant historical annual cap;
- (ii) the estimated potential or possible amounts of margin financings to be advanced to the Chu & Li's Family (where applicable, including their associates) for each of the three years ending 31 March 2015, 2016 and 2017 after taking into account of the investment strategies and plans of the members of the Chu & Li's Family;
- (iii) the interest rates offered to the Chu & Li's Family in respect of the margin financing;
- (iv) the sound credit standing of the members of the Chu & Li's Family after reviewing their historical repayment records and financial position;
- (v) the prevailing securities market condition; and
- (vi) the recovering economic condition and market sentiment of the securities market in Hong Kong.

The transaction amount of the margin financings depends on the overall stock market sentiment and volume of the stock trading in the Hong Kong securities market. The trading activities of the Hong Kong securities market had increased in 2013. The Directors note that according to the information published on the website of the Stock Exchange, there were 110 newly listed companies in 2013, representing an increase of approximately 72% when compared with 64 newly listed companies in 2012.^(Note) The average daily turnover in 2013 was approximately HK\$62,560 million, representing an increase of approximately 16% when compared to that of approximately HK\$53,850 million in 2012. The market capitalisation reached approximately HK\$24,042.8 billion at the end of 2013, representing a year-on-year increase of approximately 10%. Based on the above and after discussing the investment strategies and plans with the members of the Chu & Li's Family, the Directors consider that it

LETTER FROM THE BOARD

is reasonable to expect there will be an increase in maximum amount of margin financing advanced to the Chu & Li's Family for each of the three years ending 31 March 2015, 2016 and 2017.

Note: The numbers of newly listed companies include the number of transfer of listings from Growth Enterprise Market to main board of the Stock Exchange.

The Directors (including the independent non-executive Directors after taking into account the advice and recommendation from Nuada Limited, but excluding Mr. Chu and Mrs. Chu who have abstained from voting due to conflict of interest) are of the views that the above proposed annual caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

REASONS FOR, AND BENEFITS OF, THE 2014 CHU & LI'S FAMILY FINANCIAL SERVICES AGREEMENT

The Group is principally engaged in the provision of a wide range of financial services which include securities underwriting and placements, margin and IPO financing, securities brokerage, corporate finance advisory services, futures brokerage and asset management services. The Group also provides entertainment and hospitality services in Macau.

Taking into consideration of (i) the provision of the financing services is the principal activity of the Group and in the ordinary course of business of the Group; (ii) the services provided to the Chu & Li's Family are recurrent in nature and (iii) the terms of 2014 Chu & Li's Family Financial Services Agreement, which were negotiated with the Chu & Li's Family after arm's length negotiations and are no more favourable than those offered to the Independent Third Parties, the Directors (including the independent non-executive Directors after taking into account the advice and recommendation from Nuada Limited, but excluding Mr. Chu and Mrs. Chu who have abstained from voting due to conflict of interest) are of the view that the terms of the 2014 Chu & Li's Family Financial Services Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

THE LISTING RULES IMPLICATIONS

As each of the Relevant Directors under the 2014 Chu & Li's Family Financial Services Agreement is connected person of the Company under Chapter 14A of the Listing Rules, the transactions contemplated under the 2014 Chu & Li's Family Financial Services Agreement constitute continuing connected transactions of the Company.

As the proposed annual caps contemplated under the 2014 Chu & Li's Family Financial Services Agreement for each of the three years ending 31 March 2015, 2016 and 2017 exceed 25% of the applicable percentage ratios as defined in Rule 14A.10(10) of the Listing Rules (other than the profits ratio) and/or the annual consideration is more than HK\$10 million, such agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Mrs. Chu is interested in 7,063,803,895 Shares, representing approximately 58.31% of the total issued share capital of the Company. Mrs. Chu is also interested in 5,250,000,000 convertible preference shares of the Company conferring rights to subscribe for 5,250,000,000 Shares. Mr. Chu, the spouse of Mrs. Chu, is deemed to be interested in these 7,063,803,895 Shares and 5,250,000,000 convertible preference shares of the Company.

Mrs. Chu, being the controlling Shareholder, executive Director and chief executive officer of the Company and Mr. Chu, being the executive Director and chairman of the Company are interested in the 2014 Chu & Li's Family Financial Services Agreement. Both of them have abstained from voting on the resolution in respect of the 2014 Chu & Li's Family Financial Services Agreement at the board meeting of the Company. The members of the Chu & Li's Family will abstain from voting on the relevant ordinary resolution at the SGM.

Saved as disclosed above, to the best of the Directors' knowledge, information and belief of the Company as at the date of the Latest Practicable Date, the Company is not aware of any Shareholder who has a material interest in the 2014 Chu & Li's Family Financial Services Agreement and the transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprises Dr. Wong Yun Kuen, Mr. Lau Man Tak and Mr. Yu Peter Pak Yan, all being the independent non-executive Directors. It has been established to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the 2014 Chu & Li's Family Financial Services Agreement, the transactions contemplated thereunder and the related proposed annual caps.

Nuada Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2014 Chu & Li's Family Financial Services Agreement, the transactions contemplated thereunder and the related proposed annual caps.

SGM

The SGM will be held at 11:00 a.m. on 17 March 2014 at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong for the purpose of considering, and if thought fit, approving the 2014 Chu & Li's Family Financial Services Agreement, the transactions contemplated thereunder and the related proposed annual caps. The notice convening the SGM is set out on pages 32 to 33 of this circular and a form of proxy for use at the SGM is also enclosed with this circular. To be valid, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed must be completed in accordance with the instructions printed thereon and delivered to the Hong Kong share registrar and transfer office of the Company, Tricor Abacus Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting.

LETTER FROM THE BOARD

The completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting in person if you so wish and in such case, the form of proxy previously submitted by such member(s) shall be deemed to be revoked.

RECOMMENDATION

The Board considers the terms of the 2014 Chu & Li's Family Financial Services Agreement, the transactions contemplated thereunder and the related proposed annual caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole and accordingly recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM for approving, among other things, the 2014 Chu & Li's Family Financial Services Agreement, the transactions contemplated thereunder and the related proposed annual caps.

The Independent Board Committee, having taken into account the advice of Nuada Limited, considers that the terms of the 2014 Chu & Li's Family Financial Services Agreement, the transactions contemplated thereunder and the related proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM for approving, among other things, the 2014 Chu & Li's Family Financial Services Agreement, the transactions contemplated thereunder and the related proposed annual caps.

GENERAL INFORMATION

Your attention is drawn to the letter of advice from Nuada Limited set out on pages 16 to 26 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the term of the 2014 Chu & Li's Family Financial Services Agreement, the transactions contemplated thereunder and the related proposed annual caps and the letter from the Independent Board Committee set out on page 15 of this circular which contains its recommendation to the Independent Shareholders in relation to the terms of the 2014 Chu & Li's Family Financial Services Agreement, the transactions contemplated thereunder and the related proposed annual caps.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully
By Order of the Board
Kingston Financial Group Limited
Chu, Nicholas Yuk-yui
Chairman



金利豐金融集團有限公司
KINGSTON FINANCIAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 01031)

To the Independent Shareholders,

Dear Sir and Madam,

**CONTINUING CONNECTED TRANSACTIONS:
PROVISION OF FINANCIAL SERVICES**

We refer to the circular of the Company dated 28 February 2014 (the “**Circular**”) to the Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the 2014 Chu & Li’s Family Financial Services Agreement, the transactions contemplated thereunder and the related proposed annual caps are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board set out in pages 4 to 14 of the Circular and the letter from Nuada Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the 2014 Chu & Li’s Family Financial Services Agreement, the transactions contemplated thereunder and the related proposed annual caps, set out on pages 16 to 26 of the Circular.

Having considered the factors and reasons considered by and the opinion of Nuada Limited stated in its letter of advice contained in the Circular, we are of the view that the terms of the 2014 Chu & Li’s Family Financial Services Agreement, the transactions contemplated thereunder and the related proposed annual caps are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the 2014 Chu & Li’s Family Financial Services Agreement, the transactions contemplated thereunder and the related proposed annual caps.

Yours faithfully,
For and on behalf of

Independent Board Committee

Dr. Wong Yun Kuen
*Independent non-executive
Director*

Mr. Lau Man Tak
*Independent non-executive
Director*

Mr. Yu Peter Pak Yan
*Independent non-executive
Director*

LETTER FROM NUADA LIMITED

The following is the full text of the letter of advice to the Independent Board Committee and Independent Shareholders from Nuada Limited dated 28 February 2014 prepared for incorporation in this circular.

Nuada Limited
Corporate Finance Advisory

Unit 1805-08, 18/F, New Victory House
93-103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街93-103號
樹福商業大廈18樓1805-08室

28 February 2014

*To the Independent Board Committee
and the Independent Shareholders
of Kingston Financial Group Limited,*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS: THE PROVISION OF FINANCIAL SERVICES

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2014 Chu & Li's Family Financial Services Agreement, details of which are set out in the letter from the Board (the "**Letter**") contained in the circular to the Shareholders dated 28 February 2014 (the "**Circular**"), of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the circular of the Company dated 25 February 2011 (the "**2011 Circular**") in relation to, amongst others, the Previous Chu & Li's Family Financial Services Agreement and the transactions contemplated thereunder.

The terms of the Previous Chu & Li's Family Financial Services Agreement will expire on 31 March 2014. In order for the Group to continue to provide the financial services to the members of the Chu & Li's Family and their respective associates, on 3 January 2014, Kingston Securities has entered into the 2014 Chu & Li's Family Financial Services Agreement with the Chu & Li's Family for provision of financial services for a term of three years commencing from 1 April 2014 to 31 March 2017.

As each of the Relevant Directors under the 2014 Chu & Li's Family Financial Services Agreement is connected person of the Company under Chapter 14A of the Listing Rules, the transactions contemplated under the 2014 Chu & Li's Family Financial Services Agreement constitute continuing connected transactions of the Company.

LETTER FROM NUADA LIMITED

As the proposed annual caps contemplated under the 2014 Chu & Li's Family Financial Services Agreement for each of the three years ending 31 March 2015, 2016 and 2017 exceed 25% of the applicable percentage ratios as defined in Rule 14A.10(10) of the Listing Rules (other than the profits ratio) and/or the annual consideration is more than HK\$10 million, the 2014 Chu & Li's Family Financial Services Agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

Mrs. Chu, being the controlling Shareholder, executive Director and chief executive officer of the Company and Mr. Chu, being the executive Director and chairman of the Company are interested in the 2014 Chu & Li's Family Financial Services Agreement. Both of them have abstained from voting on the related resolution at the board meeting of the Company in which the 2014 Chu & Li's Family Financial Services Agreement was considered.

The SGM will be convened by the Company at which resolution will be proposed to seek approval from the Independent Shareholders in respect of the 2014 Chu & Li's Family Financial Services Agreement and the vote will be taken by poll. The members of the Chu & Li's Family will be abstained from voting at the SGM to approve the 2014 Chu & Li's Family Financial Services Agreement.

Dr. Wong Yun Kuen, Mr. Lau Man Tak and Mr. Yu Peter Pak Yan, being the independent non-executive Directors, have been appointed by the Board to form the Independent Board Committee to advise and make recommendation to the Independent Shareholders as to how to vote at the SGM on the relevant ordinary resolution regarding the 2014 Chu & Li's Family Financial Services Agreement.

We, Nuada Limited, have been appointed by the Independent Board Committee as the Independent Financial Adviser to give our independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the 2014 Chu & Li's Family Financial Services Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote on the relevant resolution to approve the 2014 Chu & Li's Family Financial Services Agreement at the SGM.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the management of the Company and the Directors. We have assumed that all information, opinions and representations contained or referred to in the Circular and all information, opinions and representations which have been provided by the management of the Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so as at the Latest Practicable Date.

LETTER FROM NUADA LIMITED

Accordingly, we have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular and provided to us by the Company and the Directors, or the reasonableness of the opinions expressed by the management of the Company and the Directors. The Directors collectively and individually accept full responsibility for the accuracy of the information in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading. We have relied on such information and opinions but have not, however, conducted any independent in-depth investigation into the business, financial conditions and affairs or the future prospects of the Group nor have we considered the taxation implication on the Group or the Shareholders as a result of the continuing connected transactions.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in relation to the 2014 Chu & Li's Family Financial Services Agreement, we have considered the following principal factors and reasons.

a. Reasons for, and benefits of, the entering into the 2014 Chu & Li's Family Financial Services Agreement

The Group is principally engaged in the provision of a wide range of financial services which include securities underwriting and placements, margin and IPO financing, securities brokerage, corporate finance advisory services, futures brokerage and asset management services. The Group also provides entertainment and hospitality services in Macau.

Reference is made to the 2011 Circular. The terms of the Previous Chu & Li's Family Financial Services Agreement will expire on 31 March 2014. In order for the Group to continue to provide the financial services to the Chu & Li's Family and their respective associates, on 3 January 2014, Kingston Securities has entered into, amongst other things, the 2014 Chu & Li's Family Financial Services Agreement with the Chu & Li's Family for provision of financial services for a term of three years commencing from 1 April 2014 to 31 March 2017. Pursuant to the 2014 Chu & Li's Family Financial Services Agreement, Kingston Securities may, upon request, (but not obliged to) provide the Chu & Li's Family financial services, including margin and IPO financings, on normal commercial terms at the interest rate comparable to interest rates offered to other clients of Kingston Securities who are Independent Third Parties of similar credit standing, trading record and/or quality of collaterals given and with the policy of Kingston Securities from time to time.

Save for the extension of service period to 31 March 2017 and the revised annual caps for margin financings, we note that there are no other material changes made to the terms of the 2014 Chu & Li's Family Financial Services Agreement from the Previous Chu & Li's Family Financial Services Agreement. All material terms of the 2014 Chu & Li's Family Financial Services Agreement has been disclosed in the Letter.

LETTER FROM NUADA LIMITED

Margin and IPO financing services are provided by the Group to complement its securities brokerage business. Margin financing is made available to clients who have opened margin accounts with the Group to purchase securities with funds borrowed from it to leverage their investments. IPO financing is the grant of loans to clients for subscriptions of shares relating to an IPO.

Based on the 2013 annual report of the Company, the revenue generated from the margin and IPO financing segment for the year ended 31 March 2013 amounted to approximately HK\$453.4 million (for the fifteen months ended 31 March 2012: approximately HK\$489.8 million), accounted for 74% (for the fifteen months ended 31 March 2012: 71%) of the Group's financial service segment revenue.

Based on the above, we note that the IPO financing and margin financing are the main revenue drivers and the ordinary business and the principal activities engaged by the Group and the entering into the 2014 Chu & Li's Family Financial Services Agreement will enable to the Group to provide the IPO financing and margin financing services to the Chu & Li's Family in normal commercial terms and with the terms which are no more favourable than those interest rates offered to other clients of Kingston Securities as well as generating interest income and return to the Group. We, therefore, consider that the entering into the 2014 Chu & Li's Family Financial Services Agreement is beneficial to and in the ordinary business of the Company.

b. The pricing standard

As stated in the Letter and advised by the management of the Company, Kingston Securities determines the interest rate charged for margin financing based on the Hong Kong dollar prime rate (the "**Prime rate**") as a base rate and may adjust the standard Spread upward or downward from the Prime Rate (the "**Spread**"). It generally offers standard Spread to most of its clients.

The RO reviews and may adjust the standard Spread offered upon the request from the client or due to changes in credit standing of the client. The RO assesses the following risk and return factors in determining the new Spread offered to the client for margin financing.

The risk factors include:

1. the securities market situation at the time;
2. whether the collaterals are a basket of securities of spread out risks or a higher concentration in certain sectors or in certain stocks;
3. the ratio of the proposed credit facilities to the total loan balance of Kingston Securities so as to estimate the impact to Kingston Securities in case the credit facilities become default;
4. the creditworthiness of the clients; and
5. the marginable value of the collaterals.

LETTER FROM NUADA LIMITED

The return factors (other than interest charged) include:

1. commission rates charged by providing brokerage services;
2. turnover amounts of the security accounts maintained by the client; and
3. prospective business relationship.

As stipulated in the 2014 Chu & Li's Family Financial Services Agreement, the interest rates charged to each of the members of the Chu & Li's Family are comparable to the interest rates offered to other clients of Kingston Securities who are Independent Third Parties of similar credit standing, trading record and/or quality of collaterals.

Kingston Securities generally offers the standard Spread to the members of the Chu & Li's Family and may adjust the standard Spread offered to different members after assessing the risks and expected return in providing margin financing to them according to the policy of Kingston Securities. We have reviewed the interest movement reports of Kingston Securities for provision of the margin financing services to the members of the Chu & Li's Family and other independent clients as at 30 September 2011, 31 March 2012, 30 September 2012, 31 March 2013 and 30 September 2013 (being the period term covering the Previous Chu & Li's Family Financial Services Agreement) and note that the interest rates offered to the members of the Chu & Li's Family for margin financing are no more favourable than those offered to other independent clients of similar credit standing, trading record and/or quality of collaterals.

In respect of the interest rate for IPO financing, the Equity Capital Market Department of Kingston Securities determines the interest rate charged on IPO financing for each IPO with reference to the securities market sentiment on such IPO, the prevailing interest rates offered by other market brokers and the funding cost of Kingston Securities. In general, Kingston Securities offers the same base interest rate for IPO financing to its clients for each IPO. With the approval from the RO, interest rates charged to individual clients may differ from that base interest rate depending on amounts of initial deposit placed by such client.

Kingston Securities offers the same base interest rate for IPO financing to the members of the Chu & Li's Family and the independent clients for each IPO and may adjust the interest rate offered to them in consideration of the initial deposit amounts placed by them. We have reviewed the interest rate charged for IPO financing services to the Chu & Li's Family in the 2012 financial year of the Company (Kingston Securities had not provided IPO financing service to the members of the Chu & Li's Family since then) and compared to those interest rates charged to other independent clients for such IPO financing service and note that the interest rates offered to the members of the Chu & Li's Family for IPO financing are no more favourable than those offered to other independent clients.

According to the 2014 Chu & Li's Family Financial Services Agreement, the interest rates to be charged for IPO financing and margin financing to each of the members of the Chu & Li's Family are comparable to interest rates offered to other clients of Kingston

LETTER FROM NUADA LIMITED

Securities who are Independent Third parties of similar credit standing, trading record and/or quality of collaterals. We consider that such interest rate arrangement has effectively set out the pricing benchmark for IPO financing and margin financing to be provided to the Chu & Li's Family so as to prevent the interest of the Shareholders and the Company not being jeopardized.

c. The basis of the proposed annual caps

The following table sets out (i) the historical annual caps under the Previous Chu & Li's Family Financial Services Agreement for each of the three years ended or ending 31 March 2012, 2013 and 2014; (ii) the maximum amounts of IPO and/or margin financings provided by Kingston Securities and the amounts of interest income received from the Chu & Li's Family for each of the two years ended 31 March 2012 and 2013 and for the six months ended 30 September 2013.

	For the year ended 31 March		For the six months ended 30 September	For the year ending 31 March
	2012	2013	2013	2014
	<i>Approximate HK\$</i>	<i>Approximate HK\$</i>	<i>Approximate HK\$</i>	<i>Approximate HK\$</i>
— Historical annual cap of IPO financing	800,000,000	800,000,000	Not applicable	800,000,000
— Historical maximum amount of IPO financing (<i>Note</i>)	76,362,000	—	—	Not applicable
— Historical annual cap of margin financing	210,000,000	210,000,000	Not applicable	210,000,000
— Historical maximum amount of margin financing	77,068,000	179,654,000	124,103,000	Not applicable
— Total interest income received	1,314,000	1,274,000	1,676,000	Not applicable

Note: The historical maximum amounts of IPO financing and margin financing represent the maximum amount of loans advanced to the Chu & Li's Family for IPO financing and margin financing respectively on a daily basis for each of the two years ended 31 March 2012 and 2013 and for the six months ended 30 September 2013.

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The proposed annual caps for each of the three years ending 31 March 2015, 2016 and 2017 in respect of financial services which proposed to be provided by Kingston Securities under each of the 2014 Chu & Li's Family Financial Services Agreement are set out as follows:

Annual caps	For the year ending 31 March		
	2015	2016	2017
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
— IPO financing	800,000,000	800,000,000	800,000,000
— Margin financing	300,000,000	300,000,000	300,000,000

Note: The relevant annual caps of IPO financing and margin financing represent the maximum amount of loans advanced to the Chu & Li's Family for IPO financing and margin financing respectively on a daily basis for each of the three years ending 31 March 2015, 2016 and 2017.

As stated in the Letter, the proposed annual caps for IPO financing under the 2014 Chu & Li's Family Financial Services Agreement were determined after arm's length negotiation with the Chu & Li's Family, after taking into consideration of:

- (i) the historical amounts of IPO financing advanced to the Chu & Li's Family for each of the two years ended 31 March 2012 and 2013 and the six months ended 30 September 2013;
- (ii) the historical maximum amount of IPO financing of approximately HK\$757 million advanced to the Chu & Li's Family for the year ended 31 March 2008;
- (iii) the estimated potential or possible amounts of IPO financings to be advanced to the Chu & Li's Family (where applicable, including their associates) for each of the three years ending 31 March 2015, 2016 and 2017 after taking into account of the investment strategies and plans of the members of the Chu & Li's Family;
- (iv) the interest rates offered to the Chu & Li's Family in respect of the IPO financing;
- (v) the sound credit standing of the members of the Chu & Li's Family after reviewing their historical repayment records and financial position;
- (vi) the number of IPO applications received by the Stock Exchange recently and prevailing securities market conditions; and
- (vii) the recovering economic condition and market sentiment of the securities market in Hong Kong.

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The proposed annual caps for margin financing under the 2014 Chu & Li's Family Financial Services Agreement were determined after arm's length negotiation with Chu & Li's Family, after taking into consideration of:

- (i) the maximum historical amounts of margin financing of approximately HK\$180 million advanced to the Chu & Li's Family during the two years ended 31 March 2012 and 2013 and the six months ended 30 September 2013, which represented approximately 86% of the relevant historical annual cap;
- (ii) the estimated potential or possible amounts of margin financings to be advanced to the Chu & Li's Family (where applicable, including their associates) for each of the three years ending 31 March 2015, 2016 and 2017 after taking into account of the investment strategies and plans of the members of the Chu & Li's Family;
- (iii) the interest rates offered to the Chu & Li's Family in respect of the margin financing;
- (iv) the sound credit standing of the members of the Chu & Li's Family after reviewing their historical repayment records and financial position;
- (v) the prevailing securities market conditions; and
- (vi) the recovering economic condition and market sentiment of the securities market in Hong Kong.

We consider that the transaction amount of the IPO and margin financings depends on the overall stock market sentiment and volume of the stock trading in the Hong Kong securities market. According to the information published on the website of the Stock Exchange, we note the following market statistics in the Hong Kong securities market:

- (i) the fund raised through initial public offerings (“**IPO(s)**”) in Hong Kong in 2013 was approximately HK\$166,500 million, representing an increase of approximately 85% when compared with that of approximately HK\$90,043 million in 2012;
- (ii) there were 110 newly listed companies in 2013, representing an increase of approximately 72% when compared with 64 newly listed companies in 2012 ^(Note);
- (iii) the average daily turnover in 2013 was approximately HK\$62,560 million, representing an increase of approximately 16% when compared to that of approximately HK\$53,850 million in 2012;
- (iv) the market capitalisation reached approximately HK\$24,042.8 billion at the end of 2013, representing a year-on-year increase of approximately 10%; and

LETTER FROM NUADA LIMITED

- (v) there were 41 active applications of new listing accepted and under processing by the Stock Exchange as at 30 January 2014.

Note: The numbers of newly listed companies include the number of transfer of listings from the Growth Enterprise Market to main board of the Stock Exchange.

Based on the above information, we note that the total fund raised and the number of IPO activities in Hong Kong has increased substantially in 2013. As such, it is reasonable to anticipate that given the improving global economic conditions, the IPO activities in Hong Kong will remain active in 2014. Besides, we have also reviewed the historical amount of IPO financing services provided to the Chu & Li's Family and note that in 2008, the maximum amount of IPO financing provided to the Chu & Li's Family was approximately HK\$757 million. Given (i) the anticipated recovery of global economy, (ii) the number of active listing applications to the Stock Exchange as at 30 January 2014, (iii) the historical maximum amount of IPO financing provided to Chu & Li's Family in 2008 and (iv) the investment strategies and plans of members of the Chu & Li's Family as advised by the management of the Company, we consider that it is fair and reasonable to maintain the annual caps of IPO financing (i.e. HK\$800 million) for the three years ending 31 March 2015, 2016 and 2017 in the 2014 Chu & Li's Family Financial Services Agreement as those stated in the Previous Chu & Li's Family Financial Services Agreement.

Besides, we note that the trading activities of the Hong Kong securities market had increased in 2013. Given (i) the anticipated recovery of global economy and increasing trading activities in the Hong Kong securities market as demonstrated above (ii) the maximum historical amounts of margin loans of HK\$180 million advanced to Chu & Li's Family during the two years ended 31 March 2012 and 2013 and the six months ended 30 September 2013, which represented approximately 86% of the relevant historical annual cap and (iii) the investment strategies and plans with members of the Chu & Li's Family as advised by the management of the Company, we consider that the revised annual caps (i.e. HK\$300 million) in margin financings to be provided to the Chu & Li's Family can provide a reasonable buffer to cater for the market upturn which allow the Group to benefit from any potential opportunities to strengthen its performance. Based on the above, we consider the proposed annual caps in respect of the IPO and margin financings to be provided to the Chu & Li's Family for the three years ending 31 March 2015, 2016 and 2017 are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

According to the 2013 interim report of the Company, the amounts due to the certain members of the Chu & Li's Family was approximately HK\$1,554 million as at 30 September 2013. The loan from a related company, Kingston Finance Limited, which is beneficially owned by certain members of the Chu & Li's Family, was approximately HK\$3,015 million as at 30 September 2013. The subordinated loans due to certain members of the Chu & Li's Family were HK\$700 million as at 30 September 2013. The promissory notes owing to certain members of the Chu & Li's Family was approximately HK\$980 million as at 30 September 2013. As such, we consider the default risk for the margin and IPO financings for the Chu & Li's Family would be minimal.

LETTER FROM NUADA LIMITED

Given the terms of the 2014 Chu & Li's Family Financial Services Agreement are determined based on the normal commercial terms and the interest rate to be charged to the Chu & Li's Family are no more favourable than the rates offered to other clients of the Group who are Independent Third Parties in similar credit standing, trading record and quality of collaterals given and in line with credit and loan policy of Kingston Securities from time to time, we consider the terms of the 2014 Chu & Li's Family Financial Services Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(d) Internal control

In order to ensure the interest rates for IPO and margin financings offered to the members of the Chu & Li's Family are no more favourable than rates offered to other independent clients, the interest rate charged on the members of the Chu & Li's Family must be approved by at least one RO who is not the members of the Chu & Li's Family in order to keep track the pricing terms offered to the members of the Chu & Li's Family. In addition to the above internal procedure, the independent non-executive Director will perform an annual review pursuant to Rule 14A.37 of the Listing Rules including that whether the IPO and margin financings provided to the Chu & Li's Family are conducted on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, or on terms no less favourable to Kingston Securities than those offered to the Independent Third Parties. Pursuant to Rule 14A.38 of the Listing Rules, the Company's auditor will also confirm, amongst other thing, (i) whether the IPO and margin financings provided to the members of the Chu & Li's Family are in accordance with the pricing policy of Kingston Securities; (ii) whether the IPO and margin financings provided to the members of the Chu & Li's Family have been entered into in accordance with the 2014 Chu & Li's Family Financial Services Agreement; and (iii) whether the annual caps of the IPO and margin financings have been exceeded.

We have reviewed the annual reports of the Company for the preceding three financial years and note that the Company's auditor had issued his unqualified letters in respect of the continuing connected transactions under the Previous Chu & Li Family Financial Services Agreement. In addition, we have also reviewed (i) the interest movement reports of Kingston Securities as at 30 September 2011, 31 March 2012, 30 September 2012, 31 March 2013 and 30 September 2013 (being the period term covering the Previous Chu & Li's Family Financial Services Agreement) for margin financing provided to the members of the Chu & Li's Family and the other independent clients; and (ii) the interest rate charged for the IPO financing service provided to the members of the Chu & Li's Family in the 2012 financial year of the Company (Kingston Securities had not provided IPO financing services to the members of the Chu & Li's Family since then) and compared that those interest rate charged to other independent clients for such IPO financing service. Based on our review, we note that the interest rates offered to the members of the Chu & Li's Family for margin and IPO financings are no more favourable than those interest rates offered to other independent clients of similar credit standing, trading record and/or quality of collaterals.

LETTER FROM NUADA LIMITED

Based on the above control procedures, we consider that there are adequate measures in place to ensure that the continuing connected transactions will be entered into in accordance with the policy of Kingston Securities and in normal commercial terms which will not be prejudicial to the interest of the Company and its minority Shareholders.

RECOMMENDATION

Having considered the above reasons, we consider that the terms of the 2014 Chu & Li's Family Financial Services Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Shareholders and the Company as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders to vote in favor of the relevant resolution at the SGM to approve the 2014 Chu & Li's Family Financial Services Agreement and the transactions contemplated thereunder; and (ii) the Independent Shareholders to vote in favor of the relevant resolution at the SGM to approve the 2014 Chu & Li's Family Financial Services Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Nuada Limited
Kevin Chan
Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors and chief executive of the Company

Save as disclosed below, as at the Latest Practicable Date, the following Directors had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the requirements of the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”):

Long positions in the Shares:

Name of Directors	Number of Shares		Number of underlying shares of the Company	Total	Approximate percentage of shareholding
	Personal Interests	Corporate Interests			
Mrs. Chu	—	7,063,803,895 <i>(Note 1)</i>	5,250,000,000 <i>(Note 2)</i>	12,313,803,895	101.65%
Mr. Chu	—	7,063,803,895 <i>(Note 1)</i>	5,250,000,000 <i>(Note 2)</i>	12,313,803,895	101.65%

Notes:

- (1) As at the Latest Practicable Date, of the 7,063,803,895 Shares, 5,153,164,000 Shares are held by Active Dynamic Limited, 1,894,699,896 Shares are held by Sure Expert Limited and 15,939,999 Shares are held by Kingston Capital Limited, all of which are controlled by Mrs. Chu. Mr. Chu, the spouse of Mrs. Chu, is deemed to be interested in these 7,063,803,895 Shares.
- (2) As at the Latest Practicable Date, Active Dynamic Limited held 5,250,000,000 convertible preference shares conferring rights to subscribe for 5,250,000,000 Shares. Mr. Chu is deemed to be interested in these 5,250,000,000 underlying shares held by Mrs. Chu.

Save for those disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director of the Chief Executive of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein.

Substantial Shareholders

Save as disclosed below, as at the Latest Practicable Date, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of Shareholders	Number of Shares		Number of underlying shares of the Company	Total	Approximate percentage of shareholding
	Personal Interests	Corporate Interests			
Sure Expert Limited (Note 1)	—	1,894,699,896	—	1,894,699,896	15.64%
Active Dynamic Limited (Note 2)	—	5,153,164,000	5,250,000,000	10,403,164,000	85.87%
Mr. Lee	18,852,000	1,530,750,000 (Note 3)	—	1,549,602,000	12.79%
Better Sino Limited	—	1,125,000,000	—	1,125,000,000	9.29%

Notes:

- (1) Sure Expert Limited is wholly and beneficially owned by Mrs. Chu. The interests of Mrs. Chu and Sure Expert Limited in the Company are stated under the paragraph headed “Directors and chief executive of the Company” above.
- (2) Active Dynamic Limited is wholly and beneficially owned by Mrs. Chu. The interests of Mrs. Chu and Active Dynamic Limited in the Company are stated under the paragraph headed “Directors and chief executive of the Company” above.
- (3) As at the Latest Practicable Date, of the 1,530,750,000 Shares, 405,750,000 Shares are held by Choose Right Limited, a company wholly owned by Mr. Lee and 1,125,000,000 Shares are held by Better Sino Limited, a company wholly owned by Choose Right Limited.

Save for those disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

3. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective associates (within the meaning defined in the Listing Rules) had any interest in any business which compete or might compete with the business of the Group.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 March 2013, the date of which the latest published audited accounts of the Company were made up.

5. SERVICE CONTRACTS

Mrs. Chu entered into a service contract with the Company on 18 February 2011 (the “**Service Contract**”) for an initial term of three years commencing from 1 April 2011 (the “**Commencement Date**”) and expiring on the third anniversary of the Commencement Date which is renewable automatically for successive terms of one year unless terminated by either party thereto giving not less than twelve months’ prior written notice, any time after the Commencement Date. Pursuant to the terms of the Service Contract, the monthly salary payable to Mrs. Chu is HK\$1,250,000, subject to annual review by the remuneration committee of the Board. Mrs. Chu is entitled to a 13th month salary and a discretionary bonus from time to time to be determined by the Board.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors has entered, or proposed to enter, into a service contract with any member of the Group, which did not expire or was not determinable by the relevant member of the Group within one year without compensation, other than statutory compensation.

6. INTERESTS IN THE GROUP’S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, (i) none of the Directors had any interest in any assets which had been since 31 March 2013 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to, any member of the Group, or were proposed to be acquired or disposed of by or leased to, any member of the Group; and (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. EXPERT'S QUALIFICATION AND CONSENT

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

Name	Qualification
Nuada Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Nuada Limited did not have:

- (a) any direct or indirect interest in any assets which have since 31 March 2013 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Nuada Limited has given and has not withdrawn its consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

8. GENERAL

- (i) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company in Hong Kong is situated at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (ii) The company secretary of the Company, Mr. Lai Yick Fung, is a member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Company Secretaries, the Institute of Chartered Secretaries and Administrations and the Taxation Institute of Hong Kong.
- (iii) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong.
- (iv) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text thereof.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong during normal business hours on any weekday other than public holidays for a period of 14 days or up to and including the date of SGM:

- (a) the 2014 Chu & Li's Family Financial Services Agreement;
- (b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 15 of this circular;
- (c) the letter from Nuada Limited containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 16 to 26 of this circular; and
- (d) the written consent of Nuada Limited referred to in the paragraph headed "Expert's Qualification and Consent" in this appendix.



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

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting of Kingston Financial Group Limited (the “**Company**”) will be held at 11:00 a.m. on 17 March 2014 at Suite 2801, 28th Floor, One International Financial Centre, 1 Harbour View Street, Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the 2014 Chu & Li’s Family Financial Services Agreement (as defined in the circular to the shareholders of the Company dated 3 January 2014 (the “**Circular**”)) and the transactions contemplated thereunder be and are hereby approved;
- (b) the maximum annual caps in relation to the transactions contemplated under the 2014 Chu & Li’s Family Financial Services Agreement for each of the three financial years ending 31 March 2015, 2016 and 2017 be and are hereby approved; and
- (c) and any one director be and is hereby authorised on behalf of the Company to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as he may in his discretion consider necessary or desirable for the purposes of or in connection with or to give effect to the aforesaid 2014 Chu & Li’s Family Financial Services Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 28 February 2014

NOTICE OF SGM

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him. A proxy needs not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed.
3. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.