

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**



INCU Corporate Finance Limited

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 INCU containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 27 of this circular.

A notice convening the SGM of the Company to be held at 11:00 a.m. on 24 March 2017 at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong is set out on pages SGM-1 to SGM-2 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 Level 22, Hopewell Centre, 183 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.

9 March 2017

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	15
LETTER FROM INCU	16
APPENDIX I — GENERAL INFORMATION	I-1
NOTICE OF SGM	SGM-1

DEFINITIONS

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

“2017 Chu & Li’s Family Financial Services Agreement”	the financial services agreements entered between Kingston Securities and the Chu & Li’s Family dated 17 February 2017 regarding the provision of financial services
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Chu & 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 PRC
“Independent Board Committee”	the independent committee of the Board comprising Dr. Wong Yun Kuen, Mr. Lau Man Tak and Ms. Lo, Miu Sheung Betty, all being the independent non-executive Directors, established to give recommendations to the Independent Shareholders in respect of the terms of the 2017 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 on 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 on Type 1 (dealing in securities) regulated activity under the SFO, which is an indirect wholly owned subsidiary of the Company
“Latest Practicable Date”	6 March 2017, 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. Kingston Chu”	Mr. Chu, Kingston Chun Ho, the executive Director, the son of Mr. Nicholas Chu and Mrs. Chu
“Mr. Nicholas Chu”	Mr. Chu, Nicholas Yuk-yui, executive Director and the chairman of the Company, a director of each of Kingston Securities and Kingston Futures and the spouse of Mrs. Chu and the father of Mr. Kingston Chu
“Mr. Lee”	Mr. Lee Wai Man, the consultant of the Company, a substantial shareholder of the Company 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 of the Company and the spouse of Mr. Nicholas Chu and the mother of Mr. Kingston Chu
“INCUCU” or “Independent Financial Adviser”	INCUCU Corporate Finance Limited, a licensed corporation to carry on 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 2017 Chu & Li’s Family Financial Services Agreement, transactions contemplated thereunder and the related proposed annual caps

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Previous 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
“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”	the 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 2017 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
“Substantial Shareholder”	has the meaning ascribed to it in the Listing Rules
“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. Chu Kingston Chun Ho
Mr. Ho Chi Ho

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Dr. Wong Yun Kuen
Mr. Lau Man Tak
Ms. Lo, Miu Sheung Betty

*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

9 March 2017

To the Shareholders,

Dear Sir or Madam,

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

INTRODUCTION

References are made to (i) the circular of the Company dated 28 February 2014 in relation to, amongst other things, the Previous Chu & Li's Family Financial Services Agreement and the transactions contemplated thereunder and (ii) the announcement of the Company dated 17 February 2017 in relation to, amongst other things, the 2017 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 2017. 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 17 February 2017, Kingston Securities entered into the 2017 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 2017 to 31 March 2020.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, amongst other things, (i) details of the 2017 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 INCU 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 entered into the 2017 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 of the Company — Spouse of Mr. Nicholas Chu — Mother of Mr. Kingston 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. Nicholas 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 — Father of Mr. Kingston Chu 	Chu & Li's Family
Mr. Kingston Chu	<ul style="list-style-type: none"> — Executive Director — Son of Mr. Nicholas Chu and 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 — Spouse of Mr. Wong Hip Keung Jimmy 	Chu & Li's Family
Mr. Wong Hip Keung Jimmy	<ul style="list-style-type: none"> — Director of Kingston Securities and Kingston Futures — Spouse of Ms. Li Yuet Mei, Dilys 	Chu & Li's Family

Note: On top the 2017 Chu & Li's Family Financial Services Agreement, on 17 February 2017, Kingston Securities and Kingston Futures 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 2017 to 31 March 2020. As the proposed annual cap contemplated under the aforesaid agreement for each of

LETTER FROM THE BOARD

the three years ending 31 March 2018, 2019 and 2020 is less than 5% of the applicable ratios as defined in Rule 14A.06(30) 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.76(2) of the Listing Rules.

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 with adjustment of 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) 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 with the client.

LETTER FROM THE BOARD

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, amongst other things, 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, amongst other things, (i) the amounts of initial deposit placed by such clients; (ii) the creditworthiness of the clients; and (iii) the total amount of loan size offered to such clients (including margin financing).

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 for approving the interest rate for IPO financing offered to a member of the Chu & Li's Family and ensuring that 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.55 of the Listing Rules on whether the IPO and margin financings provided to the members of the Chu & Li's Family are conducted (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better, 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; and (iii) according to the 2017 Chu & Li's Family Financial Securities Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (iv) Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor will confirm, amongst other thing, (i) whether the IPO and margin financings have been approved by the Board; (ii) whether the IPO and margin financings provided to the members

LETTER FROM THE BOARD

of the Chu & Li's Family are in accordance with the pricing policies of the Group; (iii) whether the IPO and margin financings provided to the members of the Chu & Li's Family have been entered into in accordance with the 2017 Chu & Li's Family Financial Services Agreement; and (iv) 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 considers that the policies and procedures adopted by Kingston Securities are able to ensure the transactions contemplated under the 2017 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 2017 CHU & LI'S FAMILY FINANCIAL SERVICES AGREEMENT

Kingston Securities has entered into the 2017 Chu & Li's Family Financial Services Agreement with the Chu & Li's Family on 17 February 2017, 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 2017 and ending on 31 March 2020.

Pricing standard

As stipulated in the 2017 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 customers 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 customers of similar credit standing, trading record and/or quality of collaterals. The interest rates for margin financing ranged from 2% to 24% and from 2% to 36% for the year ended 31 March 2015 and 2016, respectively.

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, amongst other things, the initial deposit amounts placed by them (i.e. the more the initial deposit amounts placed, the more favourable interest rate it will offer).

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 2015, 2016 and 2017; (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 2015 and 2016 and for the six months ended 30 September 2016.

	For the year ended		For the six	For the year
	31 March		months ended	ending
	2015	2016	30 September	31 March
	<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>)	557,566,000	—	—	Not applicable
— Historical annual cap of margin financing	300,000,000	300,000,000	Not applicable	300,000,000
— Historical maximum amount of margin financing (<i>Note 2</i>)	181,088,000	226,666,000	149,979,000	Not applicable
— Total interest income received	1,930,000	360,000	14,000	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 2015 and 2016 and for the six months ended 30 September 2016.

LETTER FROM THE BOARD

Proposed annual caps

The proposed annual caps for each of the three years ending 31 March 2018, 2019 and 2020 in respect of financial services which proposed to be provided by Kingston Securities under the 2017 Chu & Li's Family Financial Services Agreement are set out as follows:

Annual caps		For the year ending 31 March		
		2018 HK\$	2019 HK\$	2020 HK\$
Chu & Li's Family	Annual cap of IPO financing (Note)	800,000,000	800,000,000	800,000,000
	Annual cap of margin financing (Note)	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 2018, 2019 and 2020.

Proposed annual caps for IPO financing

The proposed annual caps for IPO financing under the 2017 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 2015 and 2016 and the six months ended 30 September 2016;
- (ii) the estimated potential or possible amounts of IPO financings of approximately HK\$720 million for each of the three years ending 31 March 2018, 2019 and 2020 to be advanced to the Chu & Li's Family (where applicable, including their associates) for each of the three years ending 31 March 2018, 2019 and 2020 and a buffer to allow more flexibility for their investment and trading activities;
- (iii) the interest rates offered to the Chu & Li's Family in respect of the IPO 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 number of IPO applications received by the Stock Exchange recently and prevailing securities market condition. There were 114 active applications of new listing accepted and under processing by the Stock Exchange as at the Latest Practicable Date; and
- (vi) the recovering economic condition and market sentiment of the securities market in Hong Kong. Hampered by the investors' concern over the timing of the interest rate hike from the Federal Reserve Bank of the United States of America, the Hang Seng

LETTER FROM THE BOARD

Index turned around and performed weakly since the last quarter of 2016. However, the market sentiment has been improving and the index started an increasing trend since 2017 due to the implementation of the Shenzhen-Hong Kong Stock Connect scheme. Hang Seng Index reached a maximum on 22 February 2017 with a closing point of 24,201.96, which was the highest level in the three months immediately preceding the Latest Practicable Date.

Proposed annual caps for margin financing

The proposed annual caps for margin financing under the 2017 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\$227 million advanced to the Chu & Li's Family during the two years ended 31 March 2015 and 2016 and the six months ended 30 September 2016, which represented approximately 76% of the relevant historical annual cap;
- (ii) the estimated potential or possible amounts of margin financings of approximately HK\$270 million for each of the three years ending 31 March 2018, 2019 and 2020 to be advanced to the Chu & Li's Family (where applicable, including their associates) for each of the three years ending 31 March 2018, 2019 and 2020 after taking into account of the investment strategies and plans of the members of the Chu & Li's Family and a buffer to allow more flexibility for their investment and trading activities;
- (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 (i.e. no history of default) and financial position;
- (v) the prevailing securities market condition. According to the statistics compiled by Hong Kong Exchanges and Clearing Limited, for the years ended 31 December 2014 and 2015, the total turnover in value of the main board and Growth Enterprise Market of the Stock Exchange increased from approximately HK\$16,990 billion to approximately HK\$25,836 billion and approximately HK\$165 billion to approximately HK\$255 billion, respectively. It is expected that the total turnover in value of the Stock Exchange will increase in the years to come; and
- (vi) the recovering economic condition and market sentiment of the securities market in Hong Kong, in particular, the launch of Shenzhen-Hong Kong Stock Connect Scheme. The Board anticipates that with the gradual stabilization in the external market and the Shenzhen-Hong Kong Stock Connect scheme, the securities turnover of Hong Kong market will keep going upward with the continuous inflow of capital from the PRC into Hong Kong.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors after taking into account the advice and recommendation from INCU, but excluding Mr. Nicholas Chu, Mrs. Chu and Mr. Kingston Chu who have abstained from voting due to conflicts 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 2017 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, amongst other things, (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 2017 Chu & Li's Family Financial Services Agreement, which were negotiated with the Chu & Li's Family after arm's length negotiations and are comparable to those offered to the Independent Third Parties, the Directors (including the independent non-executive Directors after taking into account the advice and recommendation from INCU, but excluding Mr. Nicholas Chu, Mrs. Chu and Mr. Kingston Chu who have abstained from voting due to conflict of interest) are of the view that the terms of the 2017 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 2017 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 2017 Chu & Li's Family Financial Services Agreement constitute continuing connected transactions of the Company.

As the proposed annual caps contemplated under the 2017 Chu & Li's Family Financial Services Agreement for each of the three years ending 31 March 2018, 2019 and 2020 exceed 25% of the applicable percentage ratios as defined in Rule 14A.06(30) of the Listing Rules (other than the profits ratio) and/or the proposed annual cap is more than HK\$10 million, such agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Mrs. Chu is interested in 8,607,603,895 Shares, representing approximately 63.22% of the total issued share capital of the Company. Mrs. Chu is also interested in 3,750,000,000 convertible preference shares of the Company conferring rights to subscribe for 3,750,000,000 Shares at the conversion price of HK\$0.80 (subject to adjustment) per Share. Mr. Nicholas Chu, the spouse of Mrs. Chu, is deemed to be interested in these 8,607,603,895 Shares and 3,750,000,000 convertible preference shares of the Company.

LETTER FROM THE BOARD

Mrs. Chu, being the controlling shareholder, executive Director and chief executive officer of the Company, Mr. Nicholas Chu, being the executive Director and chairman of the Company and Mr. Kingston Chu, being the executive Director, have material interested in the 2017 Chu & Li's Family Financial Services Agreement. All of them have abstained from voting on the resolution in respect of the 2017 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 2017 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 Ms. Lo, Miu Sheung Betty, all being the independent non-executive Directors, has been established to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the 2017 Chu & Li's Family Financial Services Agreement, the transactions contemplated thereunder and the related proposed annual caps.

INCU 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 2017 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 24 March 2017 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 2017 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 SGM-1 to SGM-2 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 Level 22, Hopewell Centre, 183 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.

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.

LETTER FROM THE BOARD

RECOMMENDATION

The Board considers the terms of the 2017 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 2017 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 INCU, considers that the terms of the 2017 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 2017 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 INCU set out on pages 16 to 27 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the term of the 2017 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 2017 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)

9 March 2017

To the Independent Shareholders,

Dear Sir and Madam,

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

We refer to the circular of the Company dated 9 March 2017 (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 2017 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 INCU, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the 2017 Chu & Li’s Family Financial Services Agreement, the transactions contemplated thereunder and the related proposed annual caps, set out on pages 16 to 27 of the Circular.

Having considered the factors and reasons considered by and the opinion of INCU stated in its letter of advice contained in the Circular, we are of the view that the terms of the 2017 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 2017 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

Wong Yun Kuen
*Independent non-executive
Director*

Lau Man Tak
*Independent non-executive
Director*

Lo, Miu Sheung Betty
*Independent non-executive
Director*

LETTER FROM INCU

The following is the text of a letter of advice from INCU Corporate Finance Limited, which has been prepared for the purpose of incorporation into this Circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in relation to the 2017 Chu & Li's Family Financial Services Agreement.



INCU Corporate Finance Limited
Unit 1701, 17/F, Wings Building,
110–116 Queen's Road Central,
Central, Hong Kong

9 March 2017

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

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS — PROVISION OF FINANCIAL SERVICES

A. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2017 Chu & Li's Family Financial Services Agreement and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" (the "Letter from the Board") contained in the circular of the Company dated 9 March 2017 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless the context requires otherwise.

References are made to the announcement of the Company dated 17 February 2017 in relation to, among others, the 2017 Chu & Li's Family Financial Services Agreement and the circular of the Company dated 28 February 2014 in relation to, among 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 2017. 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 (where applicable), on 17 February 2017, Kingston Securities has entered into the 2017 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 2017 to 31 March 2020.

As each of the Relevant Directors under the 2017 Chu & Li's Family Financial Services Agreements are connected persons of the Company under Chapter 14A of the Listing Rules, the transactions contemplated under the 2017 Chu & Li's Family Financial Services Agreement constitute continuing connected transactions of the Company.

LETTER FROM INCU

As the proposed annual cap contemplated under the 2017 Chu & Li's Family Financial Services Agreement for each of the three years ending 31 March 2018, 2019 and 2020 exceed 25% of the applicable percentage ratios as defined in Rule 14A.06(30) 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 Chapter 14A of the Listing Rules.

Mrs. Chu, being the controlling Shareholder, executive Director and chief executive officer of the Company and Mr. Nicholas Chu, being the executive Director and chairman of the Company and Mr. Kingston Chu, being the executive Director, have material interest in the 2017 Chu & Li's Family Financial Services Agreement. All of them have abstained from voting on the related resolutions at the board meeting of the Company in which the 2017 Chu & Li's Family Financial Services Agreement were 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 2017 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 2017 Chu & Li's Family Financial Services Agreement.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. Wong Yun Kuen, Mr. Lau Man Tak and Ms. Lo, Miu Sheung Betty, has been established to consider and advise the Independent Shareholders in respect of the fairness and reasonableness of the terms of the 2017 Chu & Li's Family Financial Services Agreement, the transactions contemplated thereunder and the related proposed annual caps.

In our capacity as the Independent Financial Adviser, our role is to give an independent opinion as to whether the terms of the 2017 Chu & Li's Family Financial Services Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole and whether the Independent Board Committee should recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the 2017 Chu & Li's Family Financial Services Agreement, the transactions contemplated thereunder and the related proposed annual caps.

We have not acted as an independent financial adviser and has not provided any other services to the Company during the past two years. As at the Latest Practicable Date, we are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Main Board Listing Rules to act as the Independent Financial Adviser. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the 2017 Chu & Li's Family Financial Services Agreement and the transactions contemplated thereunder, and accordingly, are eligible to give independent advice and recommendations on the terms of the 2017 Chu & Li's Family Financial Services Agreement, the transactions contemplated thereunder and the related proposed annual caps. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will

LETTER FROM INCU

receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the 2017 Chu & Li's Family Financial Services Agreement and the transactions contemplated thereunder.

B. BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company and the management of the Group. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the Latest Practicable Date. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. However, we have not conducted any in-depth independent investigation into the businesses, affairs and financial positions of the Group nor have we considered the taxation implication on the Group or the Shareholders as a result of the continuing connected transactions.

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions and recommendation to the Independent Board Committee and Independent Shareholders in respect of the 2017 Chu & Li's Family Financial Services Agreement and the transactions contemplated thereunder, we have considered the principal factors and reasons set out below:

I. Reasons for, and benefits of the 2017 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.

LETTER FROM INCU

As disclosed in the Letter from the Board, the terms of the Previous Chu & Li's Family Financial Services Agreement will expire on 31 March 2017. 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 17 February 2017, Kingston Securities has entered into the 2017 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 2017 to 31 March 2020. Pursuant to 2017 Chu & Li's Family Financial Services Agreement, Kingston Securities may, upon request, (but not obliged to) provide to Chu & Li's Family financial services, including margin and IPO financings on normal commercial terms at the interest rate comparable to rates offered to other customers of Group 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.

Save for the extension of service period to 31 March 2020, we are not aware of any material changes made to the terms of 2017 Chu & Li's Family Financial Services Agreement from the Previous Chu & Li's Family Financial Services Agreement.

As disclosed in the annual report of the Company for the year ended 31 March 2016, margin and IPO financing segment is the ordinary and principal business and major source of revenue of the Group, which contributed approximately HK\$1,697.93 million and accounted for approximately 54.51% of the total revenue.

Having considered the above, we are of the view that the entering into of 2017 Chu & Li's Family Financial Services Agreement, which included the provision of margin and IPO financing in normal commercial terms and with the terms comparable to those offered to other customers of the Group who are Independent Third Parties of similar credit standing, trading record and/or quality of collaterals given, will generate interest income and return to the Group and is in the ordinary and principal business of the Group.

II. The pricing policy

Pursuant to the 2017 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 given.

Margin financing

As disclosed in the Letter from the Board, 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 adjust the spread upward or downward from the Prime Rate (the "Spread"). It generally offers standard Spread to most of its clients.

LETTER FROM INCU

The Responsible Officer of Kingston Securities (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.

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 with the client.

IPO financing

As disclosed in the Letter from the Board, 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, amongst other things, 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 the members of the Chu & Li’s Family and the independent clients for each IPO in consideration of, amongst other things, the initial deposit amounts placed by them (i.e. the more the initial deposit amounts placed, the more favourable interest rate it will offer).

LETTER FROM INCU

Assessment on the pricing policy

As advised by the management of the Company, 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 monthly statement of account of Kingston Securities for provision of the margin financing services to (i) the members of the Chu & Li's Family and their associates; and (ii) other independent clients as at 30 September 2014, 31 March 2015, 30 September 2015, 31 March 2016 and 30 September 2016 (being the period term covering the Previous Chu & Li's Family Financial Services Agreement). We consider the samples reviewed are fair and representative, taking into account (i) the samples under review were of the highest outstanding loan amount; and (ii) the samples under review evenly covered the period under the Previous Chu & Li's Family Financial Services Agreement. We note that the interest rates offered to the members of the Chu & Li's Family for margin financing are on normal commercial terms and no more favourable than those offered to other independent clients of similar credit standing, trading record and/or quality of collaterals given.

For IPO financing, Kingston Securities in general offers the same base interest rate to the members of the Chu & Li's Family and the independent clients for each IPO and will adjust the interest rate offered to them after taking into consideration of the initial deposit amounts placed by them (i.e. the more the initial deposit amounts placed, the more favourable interest rate it will offer) and other factors. We have reviewed the interest rate charged by the Company to the member of Chu & Li's Family for the only IPO financing service provided during the year ended 31 March 2015 (being the latest financial year where Kingston Securities has provided IPO financing service to the member of the Chu & Li's Family). For our assessment purpose, we have selected all clients under the same IPO financing exercise as the samples, which we consider are the most appropriate comparison samples given the same market sentiment, to compare with the interest rate offered to the member of Chu & Li's Family. As such, we consider the samples selected for review are fair and representative. During our assessment, we note that the interest rates offered to individual clients (including the member of Chu & Li's Family) are determined in line with the same adjustment factors, including, (i) the amounts of initial deposit placed by such clients; (ii) the creditworthiness of the clients; and (iii) the total amount of loan size offered to such clients (including margin financing). During our assessment, we do not note any inconsistencies in the practice of management assessment. We consider the interests rates offered to the member of the Chu & Li's Family are on normal commercial terms, in the ordinary and usual course of business and in accordance with the same adjustment criteria which apply to each client (including the member of Chu & Li's Family and independent clients).

LETTER FROM INCU

III. Basis of the proposed annual caps

Historical information

The following table sets out (i) the historical annual caps amount under each of the Previous Chu & Li's Family Financial Services Agreement for each of the three years ended or ending 31 March 2015, 2016 and 2017; (ii) the maximum amounts of IPO and/or margin financings provided by Kingston Securities; and (iii) the amounts of interest income received from the Chu & Li's Family for each of the two years ended 31 March 2015 and 2016 and for the six months ended 30 September 2016.

Previous relevant Directors	For the year ended 31 March		For the six months ended 30 September	For the year ending 31 March
	2015	2016	2016	2017
	<i>Approximate HK\$</i>	<i>Approximate HK\$</i>	<i>Approximate HK\$</i>	<i>Approximate 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	557,566,000	—	—	Not applicable
— Historical annual cap of margin financing	300,000,000	300,000,000	Not applicable	300,000,000
— Historical maximum amount of margin financing	181,088,000	226,666,000	149,979,000	Not applicable
— Total interest income received	1,930,000	360,000	14,000	Not applicable

Proposed annual caps

The proposed annual caps for each of the three years ending 31 March 2018, 2019 and 2020 in respect of financial services which proposed to be provided by Kingston Securities under the 2017 Chu & Li's Financial Services Agreement are set out as follows:

Relevant Directors	Annual caps	For the year ending 31 March		
		2018	2019	2020
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Chu & Li's Family	Annual cap of IPO financing	800,000,000	800,000,000	800,000,000
	Annual cap of margin financing	300,000,000	300,000,000	300,000,000

LETTER FROM INCU

As disclosed in the Letter from the Board, the proposed annual caps for margin and IPO financing under the 2017 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 margin financing and IPO financing advanced to the Chu & Li's Family for each of the two years ended 31 March 2015 and 2016 and the six months ended 30 September 2016; (ii) the estimated potential or possible amounts of margin financing and IPO financing to be advanced to the Chu & Li's Family (where applicable, including their associates) for each of the three years ending 31 March 2018, 2019 and 2020 and a buffer to allow more flexibility for their investment and trading activities; (iii) the interest rates offered to them in respect of these margin financing and IPO financing; (iv) the sound credit standing of the members of the Chu & Li's Family after reviewing their historical repayment records (i.e. no history of default) and financial position; (v) the number of IPO applications received by the Stock Exchange recently and prevailing securities markets condition; and (vi) the recovering economic conditions and market sentiment of the securities markets in Hong Kong.

Assessment on the proposed annual caps

In assessing the proposed annual caps of margin financing and IPO financing under the 2017 Chu & Li's Family Financial Services Agreement, we have taken into account the amount of fund raised through IPO, number of IPOs, turnover value and trading volume of the stock in Hong Kong, which we consider would reflect the overall market sentiment.

We have reviewed the stock market statistics in the past five years from 2012 to 2016 with reference to the "HKEX Fact Book 2015" and "HKEX Securities and Derivatives Markets Quarterly Report" published by the Stock Exchange.

(a) IPO activities in Hong Kong

According to the "HKEX Fact Book 2015" published on 15 March 2016 and "HKEX Securities and Derivatives Markets Quarterly Report" published on 20 April 2016, 20 July 2016, 20 October 2016 and 20 January 2017 by the Stock Exchange (collectively the "Reports"), the total number of companies newly listed on the Stock Exchange of Hong Kong through IPO has increased from 62 in 2012 to 125 in 2016, representing a compound annual growth rate ("CAGR") of approximately 19.16%. The amount of fund raised through IPO has increased from approximately HK\$90.04 billion in 2012 to HK\$195.32 billion in 2016, representing a CAGR of approximately 21.36%.

According to 2016 market statistics published by the Stock Exchange on 9 January 2017, Hong Kong is the world leader in terms of fund raising amount through IPO for the second consecutive year.

LETTER FROM INCU

According to the information published on the website of the Stock Exchange, there were 132 active applications for new listing (including those under processing and those granted with approval in principle), by the Stock Exchange as at 28 February 2017.

Based on the above analysis, we noted that both of the total funds raised and the number of newly listed companies through IPO in Hong Kong has shown an upward trend during the year 2012 to 2016 and Hong Kong is ranked the first globally in terms of IPO equity funds raised in 2016, thus, it is reasonable to expect that the IPO activities in Hong Kong will remain active in 2017 given the recovering economic conditions and market sentiments in Hong Kong. Furthermore, based on our review of the historical IPO financing service provided to the Chu & Li's Family, we noted that the maximum amount of IPO financing provided to the Chu & Li's Family was approximately HK\$557.6 million in 2015, which accounted for approximately 70% of the annual cap for the year ended 31 March 2015. Having considered (i) the number of active listing applications to the Stock Exchange; (ii) the historical maximum amount of IPO financing of approximately HK\$557.6 million provided to Chu & Li's Family which represented approximately 70% of the relevant historical annual cap; and (iii) the recovering economic conditions and market sentiments in Hong Kong, we are of the view that the proposed annual caps (i.e. HK\$800 million) in IPO financing under the 2017 Chu & Li's Family Financial Services Agreement for the three years ending 31 March 2018, 2019 and 2020 are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(b) Securities market in Hong Kong

According to the Reports, the total turnover value of the stock market in Hong Kong has increased from approximately HK\$13,301 billion in 2012 to approximately HK\$16,396 billion in 2016 with a CAGR of approximately 5.37%. Also, total trading volume in shares has increased from approximately 33,968 billion in 2012 to approximately 45,612 billion in 2016 with a CAGR of approximately 7.65%.

We note that the trading activities of the securities market in Hong Kong has shown a steady growth from 2012 to 2016 in terms of turnover value and trading volume. It is reasonable to expect that the trading activities of the securities market in Hong Kong will remained active in 2017 given the statistics above and the commencement of Shenzhen-Hong Kong Stock Connect in November 2016 which broadened the investors base of Hong Kong securities market. Having considered (i) the anticipated global economic recovery and the trading activities of Hong Kong securities market mentioned above; and (ii) the maximum historical amounts of margin loans of HK\$226.7 million advanced to Chu & Li's Family represented approximately 76% of the relevant historical annual cap during the two years ended 31 March 2015 and 2016 and the six months ended 30 September 2016, we therefore consider that the proposed annual caps (i.e. HK\$300 million) in margin financing to be provided to the Chu & Li's Family not only provides a reasonable buffer to cater for the market conditions, but also allows the Group to benefit from any interest

LETTER FROM INCU

income to be received from the Chu & Li's Family. Based on the above, we are of the view that 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 2018, 2019 and 2020 are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

According to the interim report of the Company for the six months ended 30 September 2016, the amounts due to the members of the Chu & Li's Family was approximately HK\$2,312 million as at 30 September 2016. The loan from a related company, Kingston Finance Limited, which is beneficially owned by certain members of the Chu & Li's Family, was HK\$8,188 million as at 30 September 2016. The subordinated loans due to certain members of the Chu & Li's Family were HK\$700 million as at 30 September 2016. The above-mentioned liabilities amounted to approximately HK\$11.2 billion. Furthermore, members of the Chu & Li's Family has no record of default in payment during the period of the Previous Chu & Li's Family Financial Services Agreement. As such, we consider the default risk for the margin and IPO financings for the Chu & Li's Family would be minimal.

Given the terms of the 2017 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/or 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 2017 Chu & Li's Family Financial Services Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

IV. Internal control

The Group has established internal control procedures to ensure the interest rates for margin and IPO financings offered to the members of the Chu & Li's Family are comparable to other clients who are Independent Third Party. According to the internal control procedures of the Group, the interest rate charged on the members of the Chu & Li's Family must be approved by an RO who is not a member of the Chu & Li's Family in order to keep track of 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.55 of the Listing Rules which is to review whether the IPO and margin financings provided to the Chu & Li's Family are conducted (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better, 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; and (iii) according to the 2017 Chu & Li's Family Financial Securities Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole. Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor will also confirm, amongst other thing, (i) whether the IPO and margin financing have been approved by the Board; (ii) whether the IPO and margin financings provided to the members of the Chu & Li's Family are in

LETTER FROM INCU

accordance with the pricing policy of the Group; (iii) whether the IPO and margin financings provided to the members of the Chu & Li's Family have been entered into in accordance with the terms of the 2017 Chu & Li's Family Financial Services Agreement; and (iv) 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's Family Financial Services Agreement. Further, we have also reviewed (i) the interest rate charged by Kingston Securities during the year ended 31 March 2015, 31 March 2016 and up to the latest Practicable Date (being the period term covering the Previous Chu & Li's Family Financial Services Agreement) to the members of the Chu & Li's Family and the other independent clients for provision of margin financing; and (ii) the interest rate charged for the IPO financing service provided to the members of the Chu & Li's Family in the 2015 financial year of the Company (being the latest financial year where Kingston Securities has provided IPO financing services to the members of the Chu & Li's Family) and compared that to those interest rate charged to other independent clients for provision of IPO financing services on the same IPO. Based on our review, we note that the interest rates offered to other independent clients of similar credit standing, trading record and/or quality of collaterals are comparable to those interest rates offered to the members of the Chu & Li's Family for margin and IPO financings.

RECOMMENDATION

Having taken into account, in particular, (i) reasons for, and benefits of the 2017 Chu & Li's Family Financial Services Agreement; (ii) the basis of the proposed annual caps; and (iii) internal control of the Company, we are of the view that the 2017 Chu & Li's Family Financial Services Agreement, the transactions contemplated thereunder and the related proposed annual caps 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 Company and the Shareholders as a whole.

LETTER FROM INCU

Accordingly, we would recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the upcoming SGM to approve the 2017 Chu & Li's Family Financial Services Agreement, the transactions contemplated thereunder and the related proposed annual caps.

Yours faithfully,
For and on behalf of
INCU Corporate Finance Limited
Gina Leung
Managing Director

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

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

As at the Latest Practicable Date, the following Directors and chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company and 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	—	8,607,603,895 (Note 1)	3,750,000,000 (Note 2)	12,357,603,895	90.77%
Mr. Nicholas Chu	—	8,607,603,895 (Note 1)	3,750,000,000 (Note 2)	12,357,603,895	90.77%

Notes:

- (1) As at the Latest Practicable Date, of the 8,607,603,895 Shares, 6,696,964,000 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. Nicholas Chu, the spouse of Mrs. Chu, is deemed to be interested in these 8,607,603,895 Shares.
- (2) As at the Latest Practicable Date, Mrs. Chu, through Active Dynamic Limited held 3,750,000,000 convertible preference shares conferring rights to subscribe for 3,750,000,000 new Shares at the conversion price of HK\$0.80 per Share (subject to adjustments). Mr. Nicholas Chu is deemed to be interested in these 3,750,000,000 underlying shares held by Mrs. Chu.

Save for those disclosed above, as at the Latest Practicable Date, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Directors and chief executive of the Company 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 Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions 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.

As at the Latest Practicable Date, so far as was known to the Directors, none of the Directors is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Substantial Shareholders

As at the Latest Practicable Date, so far as the Directors are aware, each of the following persons (other than a Director or chief executive of the Company or their respective associates) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

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	13.92%
Active Dynamic Limited (Note 2)	—	6,696,964,000	3,750,000,000	10,446,964,000	76.73%
Mr. Lee	18,852,000	1,530,750,000 (Note 3)	—	1,549,602,000	11.38%
Better Sino Limited	—	1,125,000,000	—	1,125,000,000	8.26%

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, as at the Latest Practicable Date, the Directors were not aware of any other persons (not being a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the any other member of the Group or had any options in respect of such capital.

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 2016, the date of which the latest published audited accounts of the Company were made up.

5. SERVICE CONTRACTS

Mrs. Chu has entered into a service contract with the Company for an initial term of three years which commenced from 1 April 2014, and will continue thereafter until terminated by either party by giving not less than six months' written notice. She will be subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the Bye-laws of the Company. Mrs. Chu is entitled to receive a remuneration of approximately HK\$21,450,000 per annum with discretionary bonus, which is determined by the Board with reference to her duties, performance and responsibilities within the Company, the Company's remuneration policy; the prevailing market conditions and with reference to the recommendation of the Remuneration Committee of the Company. Mrs. Chu received a total emoluments of approximately HK\$51,570,000 (including discretionary bonus) for the year ended 31 March 2016.

All non-executive Directors have executed a letter of appointment with the Company for a term of one year which commenced on 1 April 2016, and subject to compliance with relevant requirements of the Listing Rules, and will continue thereafter until terminated by either party by giving not less than three months' written notice.

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 2016 (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
INCU Corporate Finance Limited	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, INCU did not have:

- (a) any direct or indirect interest in any assets which have since 31 March 2016 (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.

INCU 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 HM11, 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. Chan Chun Lam, is a member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

- (iii) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 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 memorandum of association and bye-laws of the Company;
- (b) the service contract referred to in the section headed "5. SERVICE CONTRACTS" in this appendix;
- (c) the 2017 Chu & Li's Family Financial Services Agreement;
- (d) 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;
- (e) the letter from INCU containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 16 to 27 of this circular;
- (f) the written consent of INCU referred to in the paragraph headed "Expert's Qualification and Consent" in this appendix; and
- (g) this circular.



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 24 March 2017 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 2017 Chu & Li’s Family Financial Services Agreement (as defined in the circular to the shareholders of the Company dated 9 March 2017 (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 2017 Chu & Li’s Family Financial Services Agreement for each of the three financial years ending 31 March 2018, 2019 and 2020 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 2017 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, 9 March 2017

NOTICE OF SGM

Notes:

1. Shareholders who are entitled to vote at the SGM are those whose names appear as shareholders on the register of members of the Company as at the close of business on Monday, 20 March 2017. In order to qualify for attending and voting at the SGM, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Monday, 20 March 2017.
2. A member of the Company entitled to attend and vote at the SGM may appoint one or more proxies (if he is a holder of two or more shares of the Company) to attend and vote in his stead. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member of the Company from attending the SGM and voting in person should he so wish. In such event, his form of proxy will be deemed to have been revoked.
3. Where there are joint registered holders of any share, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
4. 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 Level 22, Hopewell Centre, 183 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.
5. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 12:00 noon on the date of the SGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at www.kingston.com.hk and on the HKExnews website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and venue of the rescheduled meeting.
6. The translation into Chinese language of the above notice is for reference only. In case of any inconsistency, the English version shall prevail.

As at the date of this notice, the executive Directors are Mr. Chu, Nicholas Yuk-yui (Chairman), Mrs. Chu Yuet Wah (Chief Executive Officer), Mr. Chu, Kingston Chun Ho and Mr. Ho Chi Ho, and the independent non-executive Directors are Dr. Wong Yun Kuen, Mr. Lau Man Tak and Ms. Lo, Miu Sheung Betty.