

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

This announcement is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



Lerado Financial Group Company Limited

隆成金融集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1225)

- (I) PROPOSED SHARE CONSOLIDATION;**
- (II) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;**
- (III) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE;**
- (IV) EXEMPT CONNECTED TRANSACTION IN RELATION TO UNDERWRITING AGREEMENT;**
- AND**
- (V) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

Financial Adviser to the Company



Underwriters of the Rights Issue

MAK KWONG YIU



BLACK MARBLE
貝格隆集團

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



Grand Vinco Capital Limited

(A wholly-owned subsidiary of Vinco Financial Group Limited)

PROPOSED SHARE CONSOLIDATION

The Company proposes to put forward a proposal to the Shareholders to effect the Share Consolidation which involves the consolidation of every five (5) issued and unissued Shares of HK\$0.1 each into one (1) Consolidated Share of HK\$0.5 each.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

Subject to the Share Consolidation having become effective, the Board proposes to seek the approval by way of ordinary resolution at the SGM by Shareholders of an increase in its authorised share capital from HK\$1,000,000,000 divided into 2,000,000,000 Consolidated Shares to HK\$5,000,000,000 divided into 10,000,000,000 Consolidated Shares by creating an additional 8,000,000,000 unissued Consolidated Shares.

PROPOSED RIGHTS ISSUE

Subject to the Share Consolidation and the Increase in Authorised Share Capital becoming effective, the Company proposes to raise approximately HK\$307.1 million (before expenses) and not more than approximately HK\$309.6 million (before expenses), by way of Rights Issue of not less than 1,535,482,758 Rights Shares and not more than 1,547,952,006 Rights Shares at the Subscription Price of HK\$0.20 per Rights Share on the basis of two (2) Rights Shares for every one (1) Consolidated Share held on the Record Date.

The net proceeds from the Rights Issue after deducting the estimated expenses are estimated to be not less than approximately HK\$301.0 million and not more than approximately HK\$303.4 million. The Company intends to apply the net proceeds from the Rights Issue as to (i) approximately HK\$150.0 million for seed capital investment for the Proposed Portfolio (as defined below) and operation of asset management business. The Group is in the process of applying for a license for carrying out the Type 9 (asset management) regulated activity under the SFO; (ii) approximately HK\$80.0 million for developing the finance lease business in the PRC; (iii) the remaining balance of approximately HK\$71.0 million for financing the operation of the Group's existing securities brokerage, margin financing and money lending business.

The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders. To qualify for the Rights Issue, all transfers of Consolidated Shares must be lodged for registration with the Registrar by 4:30 p.m. on Wednesday, 17 August 2016. The register of members of the Company will be closed from Thursday, 18 August 2016 to Wednesday, 24 August 2016, both dates inclusive, to determine the eligibility of the Rights Issue.

The Rights Issue will be fully underwritten by the Underwriters, on the terms and subject to the conditions of the Underwriting Agreement, details of which are set out in the section headed "Underwriting Agreement" in this announcement.

Shareholders and potential investors should note that the Rights Issue is subject to the satisfaction of certain conditions as described under the section headed “Conditions of the Rights Issue” in this announcement. In particular, it is conditional upon the Underwriting Agreement having become unconditional and the Underwriters not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Rights Issue may or may not proceed and the Shareholders and the public are reminded to exercise caution when dealing in the Shares or the Consolidated Shares (as the case may be) and/or nil-paid Rights Shares.

Shareholders should note that the Consolidated Shares will be dealt in on an ex-entitlement basis commencing from Tuesday, 16 August 2016 and that dealings in the Rights Shares in the nil-paid form will take place from 9:00 a.m. on Monday, 29 August 2016 to 4:00 p.m. on Monday, 5 September 2016 (both dates inclusive) while the conditions to which the Underwriting Agreement is subject to remain unfulfilled. Any Shareholder or other person dealing in the Shares or the Consolidated Shares (as the case may be) and/or nil-paid Rights Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholder or other person contemplating any dealings in the Shares or the Consolidated Shares (as the case may be) and/or nil-paid Rights Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue. As at the date of this announcement, the Company does not have any controlling Shareholder, whilst Mr. Huang and Mr. Mak, each being an executive Director, holds 225,454,160 Shares and 660,000 Shares respectively are required to abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the SGM.

As no excess application for Rights Shares is available under the Rights Issue (the “EA Absence”) and the Rights Issue is partly underwritten by Mr. Mak, an executive Director, pursuant to Rule 7.21(2) of the Listing Rules, specific approval shall be obtained from the Independent Shareholders in respect of the EA Absence. Mr. Mak and his associates will abstain from voting on the EA Absence at the SGM.

Mr. Mak, an executive Director, is a connected person of the Company under Chapter 14A of the Listing Rules and is one of the Underwriters in respect of the Rights Issue. The entering into of the Underwriting Agreement between the Company, Black Marble Securities and Mr. Mak therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Assuming that the Rights Shares are fully taken up by the Shareholders, Mr. Mak will receive a maximum underwriting commission of approximately HK\$650,000 in cash, to be deducted from the proceeds of the Rights Issue. As the underwriting commission to be received by Mr. Mak is on normal commercial terms and all applicable percentage ratios (as defined in the Listing Rules) are less than 5% and the total amount of commission payable to Mr. Mak is less than HK\$3,000,000, the payment of underwriting commission by the Company to Mr. Mak is therefore exempt from reporting, announcement and the independent shareholders' approval requirements under Rule 14A.76(1)(c) of the Listing Rules.

Pursuant to Rule 14A.92(2)(b) of the Listing Rules, provided that Rule 7.21 of the Listing Rules has been complied with, the allotment and issue of the Underwritten Shares to Mr. Mak pursuant to the Underwriting Agreement will be exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Rights Issue will be conducted in compliance with Rule 7.21(2) of the Listing Rules as mentioned above.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lam Chak Man, Mr. Ye Jianxin, Mr. Chern Shyh Feng and Mr. Hsu Hong Te has been established to advise the Independent Shareholders in connection with the Rights Issue and the EA Absence, whether the terms are fair and reasonable and whether they are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. With the approval of the Independent Board Committee, Vinco Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in these regards.

GENERAL

The Circular containing, *inter alia*, (i) further details of the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the EA Absence, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue and the EA Absence, (iii) a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders on the Rights Issue and the EA Absence; and (iv) a notice convening the SGM will be despatched by the Company to the Shareholders on or before Wednesday, 27 July 2016.

PROPOSED SHARE CONSOLIDATION

The Company intends to put forward a proposal to the Shareholders to effect the Share Consolidation which involves the consolidation of every five (5) issued and unissued Shares of HK\$0.10 each into one (1) Consolidated Share of HK\$0.50 each.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon (i) passing of an ordinary resolution to approve the Share Consolidation by the Shareholders by way of poll at the SGM; and (ii) the Listing Committee of the Stock Exchange granting approval to the listing of, and permission to deal in, the Consolidated Shares. Shareholders should note that the Share Consolidation is not conditional on the completion of the Rights Issue.

The Share Consolidation will become effective on the next Business Day immediately following the fulfillment of the above conditions.

Effect of the Share Consolidation

As at the date of this announcement, the authorised share capital of the Company is HK\$1,000,000,000 divided into 10,000,000,000 Shares of HK\$0.1 each, of which 3,838,706,896 Shares have been issued and are fully paid or credited as fully paid.

Assuming that there is no change to the issued share capital of the Company between the date of this announcement and the date of the SGM, immediately after the Share Consolidation becoming effective, the authorised share capital of the Company will become HK\$1,000,000,000 divided into 2,000,000,000 Consolidated Shares of HK\$0.5 each, of which 767,741,379 Consolidated Shares will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other. Fractional Consolidated Shares will not be issued by the Company to the Shareholders. Any fractional entitlements of the Consolidated Shares will be aggregated, sold and retained for the benefit of the Company, if feasible and applicable.

Other than the relevant expenses, including but not limited to professional fees and printing charges incurred, the implementation of the Share Consolidation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Company or the interests of the Shareholders, save for any fractional Consolidated Shares to which Shareholders may be entitled. The Directors believe that the Share Consolidation will not have any material adverse effect on the financial position of the Group.

Reasons for the Share Consolidation

The Share Consolidation will increase the nominal value of the Shares and decrease the total number of Shares currently in issue. It is expected that the Share Consolidation would bring about a corresponding upward adjustments in the trading price per board lot of the Consolidated Shares on the Stock Exchange, which will reduce the overall transaction and handling costs dealings in the shares of the Company.

The proposed Share Consolidation is expected to facilitate the Company's ability to conduct future fund-raising activities without the need to seek prior Shareholders' approval for a share consolidation in future if the market price at that time would be close to the extremity. Save as disclosed in this announcement, the Company has no intention to conduct other fund-raising activities as at the date of this announcement.

The Board therefore considers that the Share Consolidation is in the interests of the Company and the Shareholders as a whole.

Application for listing of the Consolidated Shares

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares.

The Consolidated Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS operational procedures in effect from time to time.

None of the Shares are listed or dealt in any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Free exchange of Consolidated Shares' certificates and trading arrangement

Subject to the Share Consolidation becoming effective, Shareholders may, during the period from Monday, 15 August 2016 to Wednesday, 21 September 2016, submit share certificates for the existing Shares to the Registrar to exchange, at the expense of the Company, for new certificates of the Consolidated Shares. Thereafter, each share certificate for the existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may be from time to time be specified by the Stock Exchange) for each new share certificate issued for the Consolidated Shares or each share certificate for the existing Shares submitted for cancellation, whichever the number of certificates issued or cancelled is higher. With effect from Tuesday, 20 September 2016, trading will only be in Consolidated Shares in the form of new share certificates, and the share certificates for the existing Shares will cease to be valid for trading and settlement purpose, but they will continue to be good evidence of legal title and may be exchanged for new share certificates for the Consolidated Shares.

Odd lots arrangement and matching services

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company will appoint an agent to provide matching services for sale and purchase of odd lots of Consolidated Shares at the relevant market price per Consolidated Share, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Details of the odd lots matching arrangement will be set out in the Circular. Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares are not warranted. Any Shareholder who is in any doubt about the odd lots arrangement, is recommended to consult his/her/its own professional advisers.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The existing authorised share capital of the Company is HK\$1,000,000,000 divided into 10,000,000,000 Shares of HK\$0.1 each of which 3,838,706,896 Shares have been allotted and issued and fully paid or credited as fully paid. Assuming no further issue of new Shares or repurchase of Shares on or before the completion of the Share Consolidation, the remaining number of Consolidated Shares available for issue will be 1,232,258,620 Consolidated Shares.

Subject to the Share Consolidation having become effective, in order to facilitate the proposed Rights Issue, to accommodate the future expansion and growth of the Group and to provide the Company with greater flexibility for future expansion in the share capital of the Company, the Board proposes to increase the authorised share capital of the Company from HK\$1,000,000,000 (divided into 2,000,000,000 Shares of par value of HK\$0.5 per Consolidated Share) to HK\$5,000,000,000 (divided into 10,000,000,000 Consolidated Shares of par value of HK\$0.5 per Consolidated Share) by the creation of an additional 8,000,000,000 unissued Consolidated Shares, which will rank *pari passu* with all Consolidated Shares.

The Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the SGM. No Shareholder is required to abstain from voting on the resolution for approving the Increase in Authorised Share Capital to be proposed at the SGM under the Listing Rules.

The Board considers that Increase in Authorised Share Capital will provide flexibility for fund raising by allotting and issuing new Shares in the future as and when appropriate for future investment opportunities and other corporate purposes. As such, the Board is of the view that the Increase in Authorised Share Capital is in the interest of the Company and the Shareholders as a whole.

PROPOSED RIGHTS ISSUE

Subject to the Share Consolidation and the Increase in Authorised Share Capital becoming effective, the Company proposes to raise not less than approximately HK\$307.1 million (before expenses) and not more than approximately HK\$309.6 million (before expenses), by way of Rights Issue of not less than 1,535,482,758 Rights Shares and not more than 1,547,952,006 Rights Shares at the Subscription Price of HK\$0.20 per Rights Share on the basis of two (2) Rights Shares for every one (1) Consolidated Share held on the Record Date. The details are set out as follows:

Issue statistics

Basis of the Rights Issue:	Two (2) Rights Shares for every one (1) Consolidated Share held on the Record Date
Subscription Price:	HK\$0.20
Number of Shares in issue as at the date of this announcement:	3,838,706,896
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective:	767,741,379 Consolidated Shares
Number of Rights Shares:	Not less than 1,535,482,758 Rights Shares (<i>Note 1</i>) and not more than 1,547,952,006 Rights Shares (<i>Note 2</i>)
Number of Rights Shares underwritten by the Underwriters:	Not less than 1,535,218,758 Rights Shares (<i>Note 1</i>) and not more than 1,547,688,006 Rights Shares (<i>Note 2</i>)
Number of Shares in issue upon completion of the Rights Issue:	Not less than 2,303,224,137 (<i>Note 1</i>) and not more than 2,321,928,009 Consolidated Shares (<i>Note 2</i>)

Notes:

- (1) Calculated and based on the assumption that save for the Share Consolidation, there is no change to the issued share capital of the Company from the date of this announcement up to and including the Record Date.
- (2) Calculated and based on the assumption that save for the Share Consolidation, there is no change to the issued share capital of the Company other than as a result of the issue of Shares upon exercise of the Outstanding Options in full from the date of this announcement up to and including the Record Date.

As at the date of this announcement, there are Outstanding Options which entitle the holders thereof to subscribe for an aggregate of 31,173,120 Shares or 6,234,624 Consolidated Shares. Assuming the subscription rights attached to the Outstanding Options are exercised in full on or before the Record Date and the Share Consolidation becoming effective, an additional 12,469,248 Rights Shares will be issued; and

Save for the Outstanding Options, as at the date of this announcement, the Company has no other outstanding convertible securities, warrants, options, derivative or other securities convertible into or exchangeable for any Shares. The Company has no intention to issue or grant any warrants, options and/or convertible securities on or before the Record Date.

Assuming that save for the Share Consolidation, there is no change to the issued share capital of the Company from the date of this announcement up to and including the Record Date, a total of 1,535,482,758 Rights Shares will be issued upon the completion of the Rights Issue, which represents 200.0% of the issued share capital of the Company immediately after the Share Consolidation and approximately 66.7% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

Assuming that save for the Share Consolidation, there is no change to the issued share capital of the Company other than as a result of the issue of Shares upon exercise of the Outstanding Options in full from the date of this announcement up to and including the Record Date, not more than 1,547,952,006 Rights Shares will be issued upon the completion of the Rights Issue, which represents 201.6% of the issued share capital of the Company immediately after the Share Consolidation and approximately 66.7% of the Company's issued share capital as enlarged by the issue of the Rights Shares and the issue of Shares upon exercise of the Outstanding Options in full.

Subscription Price

The Subscription Price is HK\$0.20 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

- (i) a discount of approximately 63.6% to the theoretical closing price of HK\$0.550 per Consolidated Share, based on the closing price of HK\$0.110 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (ii) a discount of approximately 65.7% to the average theoretical closing prices of approximately HK\$0.583 per Consolidated Share, based on the average closing price of HK\$0.1166 per Share as quoted on the Stock Exchange for the last five consecutive trading days including and up to the Last Trading Day and adjusted for the effect of the Share Consolidation; and
- (iii) a discount of approximately 36.9% to the theoretical ex-entitlement price of approximately HK\$0.317 per Consolidated Share after the Rights Issue, based on the theoretical closing price of HK\$0.550 per Consolidated Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriters with reference to the prevailing market price of the existing Shares, the theoretical ex-entitlement price of the Consolidated Shares.

Apart from the aforesaid, in coming up with the current subscription ratio for the Rights Issue and the Subscription Price, the Company has also considered the following factors:

- (i) the subscription ratio for the Rights Issue is determined after taking into account the estimated funding requirements of the Company and the Subscription Price;
- (ii) during negotiation of the Underwriting Agreement, it has been indicated to the Company that it is essential for setting the Subscription Price at a relatively deep discount for inducing the Underwriters to provide underwriting services under the Rights Issue and attracting all of the Qualifying Shareholders to participate in the Rights Issue;
- (iii) the downward trend of the prevailing trading prices of the Shares in the past six months which decreased from HK\$0.15 on 30 December 2015 to HK\$0.11 on the Last Trading Day, representing a decrease of approximately 26.7%;
- (iv) the Company has approached two securities houses in the course of considering the Rights Issue. Each of the aforesaid securities house requested for underwriting commission of 3% or above for the proposed Rights Issue given the size of the Rights Issue and the Company's business scale. Such amount of underwriting commission exceeds underwriting commission of 2% under the Previous Open Offer. Furthermore, the underwriters approached by the Company required deep discount in Subscription Price for providing the underwriting service. In view of the high underwriting commission requested by the aforementioned securities houses and to avoid significant discount in the Subscription Price which is not beneficial to the Shareholders, the Company eventually approached the Underwriters, namely, Black Marble Securities (being an indirect wholly-owned subsidiary of the Company) and Mr. Mak (an executive Director) and the only available underwriters agreed to provide underwriting service for the Rights Issue in a fully underwritten basis with underwriting commission lower than that under the Previous Open Offer;
- (v) in view of the uncertainties in the financial market in Hong Kong as a result of the uncertainties stemming from fluctuating market sentiment, capital flow, trend of interest rate, volatility in money supply in different major economies and different economic decisions made by different countries, the Directors consider it will be difficult to attract the Qualifying Shareholders to reinvest in the Company through the Rights Issue if the Subscription Price was not set at a relatively deep discount to the historical trading prices of the Shares;
- (vi) under the Rights Issue, all the Qualifying Shareholders will be offered the same opportunity to maintain their proportionate interests in the Company and to participate in the growth and development of the Company. Should the Qualifying Shareholders participate in the Rights Issue, they will be subscribing the Rights Shares at a lower price as compared to the historical and prevailing market price of the Shares;

- (vii) the Rights Issue is subject to Shareholders' approval, which means that the Shareholders have a right to disapprove the Rights Issue;
- (viii) inherent dilutive nature of the Rights Issue in general if the Qualifying Shareholders did not take up their entitlements under the Rights Issue in full. However, the Qualifying Shareholders have the first right to decide whether to accept their entitlements of the Rights Shares; and
- (ix) although the Rights Issue has an inherent dilutive nature, it is subject to Shareholders' approval, which means that the Shareholders have a right to disapprove the Rights Issue and the Underwriters has also undertaken to the Company that none of the persons to be procured by the Underwriters to subscribe for the Underwritten Shares will be a substantial Shareholder as a result of the Rights Issue.

In view of the above, the Board considers the terms of the Rights Issue, including the Subscription Price which has been set as a discount to the theoretical closing price of the Consolidated Shares on the Last Trading Day with an objective to encourage existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole. However, those Qualifying Shareholders who do not take up in full the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted. If all the Qualifying Shareholders do not take up the Rights Shares to which they are entitled and the Underwriters take up all the Rights Shares, the percentage of shareholding (assuming that there is no change to the issued share capital of the Company from the Last Trading Day up to and including the Record Date) of the existing public Shareholders will be reduced from approximately 94.1% to approximately 31.4%, representing a dilution effect on the shareholding interests of approximately 66.7% as a result of the Rights Issue. Moreover, the dilution impact on shareholding after taking into account the monetary effect of the Rights Issue (estimated based on discount of the Subscription Price to the theoretical closing price of the Consolidated Shares on the Last Trading Day) was approximately 42.4%.

The estimated net price per Rights Share after deducting the related expenses of the Rights Issue will be approximately HK\$0.196.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders. To qualify for the Rights Issue, the Shareholders must at the close of business on the Record Date:

- (i) be registered on the register of members of the Company; and
- (ii) not be the Non-Qualifying Shareholders.

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer of the Consolidated Shares (with the relevant share certificates) for registration with the Registrar by 4:30 p.m. on Wednesday, 17 August 2016. The address of the Registrar is at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Rights of the Overseas Shareholders

If, at the close of business on the Record Date, a Shareholder's address on the register of members of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Rights Issue as the Prospectus Documents will not be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong. The Board will make enquiries to its lawyers as to whether the issue of Rights Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange pursuant to the Listing Rules. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to such Overseas Shareholders, no provisional allotment of Rights Shares will be made to such Overseas Shareholders. Accordingly, the Rights Issue will not be extended to the Non-Qualifying Shareholders.

The Company will send the Prospectus, for information only, to the Non-Qualifying Shareholders.

The Company shall provisionally allot the Rights Shares which represent the entitlements of the Non-Qualifying Shareholders to a nominee of the Company in nil-paid form and the Company shall procure that such nominee shall endeavour to sell the rights as soon as practicable after dealings in nil-paid Rights Shares commence and in any event on or before the last day of dealings in nil-paid Rights Shares at a net premium (nil-paid). If and to the extent that such rights can be so sold, the nominee of the Company shall account to the Company for the net proceeds of sale (after deducting the expenses of sale, if any), on the basis that the net proceeds after deducting the expenses of sale (if any) attributable to the sale of the Rights Shares that would otherwise have been allotted to the Non-Qualifying Shareholders shall be distributed pro rata to their shareholdings as at the Record Date (but rounded down to the nearest cent) to the Non-Qualifying Shareholders provided that individual amounts of HK\$100 or less shall be retained by the Company for its own benefit. Any of such nil-paid rights which are not sold as aforesaid will be dealt with as Rights Shares not taken up.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

Closure of register of members

The register of members of the Company will be closed from Monday, 8 August 2016 to Friday, 12 August 2016, both dates inclusive, to determine the eligibility of the Shareholders to vote at the SGM. No transfer of Shares will be registered during such periods.

The Company's register of members will also be closed from Thursday, 18 August 2016 to Wednesday, 24 August 2016 (both dates inclusive) to determine the entitlement to the Rights Issue. No transfer of Consolidated Shares will be registered during such period.

Basis of provisional allotment

The basis of the provisional allotment shall be two (2) Rights Shares (in nil-paid form) for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar by the Latest Time for Acceptance.

Status of the Rights Shares

The Rights Shares (when allotted, fully paid and issued) will rank *pari passu* in all respects with the Consolidated Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares.

Fractions of Rights Shares

On the basis of provisional allotment of two (2) Rights Shares for every one (1) Consolidated Share held on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Certificates of the Rights Shares and refund cheques

Subject to fulfillment of the conditions of the Rights Issue, certificates for the fully-paid Rights Shares are expected to be despatched on or before Wednesday, 21 September 2016 to those entitled thereto by ordinary post at their own risk. If the Rights Issue is terminated, refund cheques are expected to be despatched on or before Wednesday, 21 September 2016 by ordinary post at the respective Shareholders' own risk.

No application for excess Rights Shares

No Qualifying Shareholder is entitled to apply for any Rights Shares which are in excess to his/her/its entitlement. Any Rights Shares not taken up by the Qualifying Shareholders, and the Rights Shares to which the Non-Qualifying Shareholders would otherwise have been entitled under the Rights Issue, will not be available for subscription by other Qualifying Shareholders by way of excess application and will be taken up by the Underwriters.

The Directors hold the view that the Rights Issue allows the Qualifying Shareholders to maintain their respective pro rata shareholding in the Company and to participate in the future growth and development of the Group. After arm's length negotiations with the Underwriters, and taking into account that if application for excess Rights Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures. The Board estimates that an additional cost of approximately HK\$100,000 will have to be put in for the administration of the excess application procedure (including preparing and arranging the excess application, reviewing the relevant documents, liaising with professional parties and printing of application forms, etc.) and considers that such additional administrative efforts and cost would outweigh the benefits of the Shareholders' rights for the excess application and therefore not cost-effective. Taking into account that for year ended 31 December 2015, (i) the Group recorded net cash used in operation activities of over HK\$200 million; and (ii) despite the Group recorded profit from continuing operation of approximately HK\$295.2 million, it is mainly attributable to other gains and losses of approximately HK\$377.5 million. Among the other gains and losses recorded, it is mainly attributable to the unrealized fair value changes of held-for-trading investments of approximately HK\$380.5 million. After excluding the other gains and losses, the Group still recorded loss from its operations. In this connection, the Board considers that it is important for the Group to minimise all costs which may be incurred during the fund raising exercise.

The absence of the excess application arrangement may not be desirable from the point of view of those Qualifying Shareholders who wish to take up additional Rights Shares in excess of their assured entitlements. However, the aforesaid should be balanced against the fact that (i) the Subscription Price is set at a discount to the prevailing market price of the Shares which provides reasonable incentives to all the Qualifying Shareholders who are positive about the future development of the Company to take up their respective assured entitlement of the Rights Shares and participate in the Rights Issue; (ii) the Qualifying Shareholders have the first right to decide whether to accept the Rights Issue; and (iii) the absence of excess application would avoid additional effort and costs to administer the excess application procedures.

In view of the foregoing, the Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Qualifying Shareholders.

Pursuant to the Underwriting Agreement, the Underwriters have conditionally agreed to subscribe or procure subscription for the Rights Shares which have not been taken up by the Qualifying Shareholders.

Application for listing of the Rights Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms). The trading board lot size of the Rights Shares (in both nil-paid and fully-paid forms) is 20,000 Consolidated Shares.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange. Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any settlement day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong maintained by the Registrar will be subject to the payment of stamp duty, Stock Exchange trading fee, the Securities and Futures Commission transaction levy and other applicable fees and charges in Hong Kong.

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date: 29 June 2016 (after trading hours)

Underwriters: Number of
Underwritten Shares
to be underwritten
pursuant to the
Underwriting
Agreement

Mr. Mak Mr Mak's underwriting proportion shall be no more than 216,676,320 Rights Shares provided that if the total number of Untaken Shares shall be equal to or less than 216,676,320 Rights Shares, Mr Mak shall take up all the Untaken Shares

Black Marble Securities Limited Balance of Untaken Shares not taken up by Mr. Mak, being not less than 1,318,542,438 Rights Shares and not more than 1,331,011,686 Rights Shares (the "**Black Marble's Underwriting Commitment**")

Total number of Rights Shares: Not less than 1,535,482,758 Rights Shares and not more than 1,547,952,006 Rights Shares

Total number of Rights Shares underwritten by the Underwriters: all the Rights Shares (other than 264,000 Rights Shares undertaken to be taken up by Mr. Mak under the Mr. Mak Undertaking), being not less than 1,535,218,758 Rights Shares and not more than 1,547,688,006 Rights Shares

Underwriting commission: 1.5%

The Rights Issue is fully underwritten by the Underwriters. Black Marble Securities is an indirect wholly owned subsidiary of the Company. Mr. Mak is an executive Director.

As Black Marble Securities is a wholly-owned subsidiary of the Company, in discharging its obligation under the Underwriting Agreement, it will enter into sub-underwriting arrangement with sub-underwriter(s) or appoint any person to be sub-agent(s) on its behalf for the purpose of arranging for the subscription of the entire Black Marble's Underwriting Commitment, with selected subscribers with such authority and rights as it has pursuant to its appointment under the Underwriting Agreement.

To demonstrate Mr. Mak's support for the Rights Issue and his commitment to and confidence in the prospects and sustainable development of the Group over the long run, Mr. Mak provided the Mr. Mak Undertaking and acted as the underwriter of the Rights Issue. In the course of determining the respective portion of underwriting commitment of the Underwriters, after arm's length negotiation among Black Marble Securities, Mr. Mak and the Company, the parties mutually agreed that Black Marble Securities will take up remaining portion of the Underwritten Shares not underwritten by Mr. Mak. In arriving at the number of Underwritten Shares to be underwritten by Mr. Mak, it has taken into account (i) funding required for him in taking up his assured entitlements under the Rights Issue under Mr. Mak Undertaking; (ii) amount of underwriting commitment for him to act as the underwriter of the Rights Issue; and (iii) Mr. Mak's financial position, investment objective and investment portfolio. After determining underwritten commitment of Mr. Mak, the remaining portion of the Underwritten Shares are underwritten by Black Marble Securities.

The Board (excluding Mr. Mak who are required to abstain from voting on relevant Board resolution by virtue of him having a material interest in the Rights Issue and the Underwriting Agreement) considers the terms of the Underwriting Agreement including the commission rate accord with market practice and are fair and reasonable so far as the Company and the Shareholders are concerned.

As at the date of this announcement, save for Mr. Mak Undertaking, the Board had not received any information or irrevocable undertaking from its substantial Shareholder of its intention to take up its assured entitlements under the Rights Issue.

Mr. Mak Undertaking

As at the date of this announcement, Mr. Mak, being an executive Director and one of the Underwriters, who owns 660,000 Shares, has irrevocably undertaken to the Company that (i) he will not, within the period commencing from the date of the Underwriting Agreement and ending on the seventh (7th) Business Day after the Latest Time for Acceptance, transfer or otherwise dispose of, or create any right in respect of any Shares and/or Consolidated Shares held by him, and (ii) subject to the fulfillment (or waiver) of the conditions of the Rights Issue and the Underwriting Agreement not having been terminated in accordance with its terms, he will take up his entitlement under the Rights Issue.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (a) the Share Consolidation and the Increase in Authorised Share Capital becoming effective;
- (b) the passing by the Independent Shareholders at the SGM of the necessary resolution(s) approving, among others, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Rights Shares;

- (c) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one duly certified copy of each of the Rights Issue Documents (and all other documents required to be attached thereto) not later than the Posting Date and in compliance with the Listing Rules and the Companies Ordinance;
- (d) the posting of the Rights Issue Documents to the Qualifying Shareholders;
- (e) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment), and not having revoked, listing of, and permission to deal in the Rights Shares, in nil-paid and fully-paid forms;
- (f) compliance and performance by the Company of all its undertakings and obligations under the Underwriting Agreement; and
- (g) compliance with and performance of all undertakings and obligations of Mr. Mak under the Mr. Mak Undertaking;

and that in the event of the above conditions (a) to (g) not being fulfilled on or before the Latest Time for Termination (or such later date or dates as may be agreed between the Company and the Underwriters) or if the Underwriting Agreement shall be rescinded pursuant to the Underwriting Agreement, all obligations and liabilities of the parties to the Underwriting Agreement shall forthwith cease and determine and no party shall have any claim against the other (save for any antecedent breaches as prescribed in the Underwriting Agreement).

Termination of the Underwriting Agreement

If at any time on or before Latest Time for Termination:

- (A) the Underwriters shall become aware of the fact that, or shall have reasonable cause to believe that any of the representations, warranties and undertakings in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriters) material in the context of the Rights Issue; or
- (B) there shall be:
 - (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
 - (ii) any change in local, national or international financial, political, industrial or economic conditions;
 - (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;
 - (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;

- (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;
- (vi) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of 10 trading days (as defined in the Listing Rules); or
- (vii) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere;

which is or are, in the reasonable opinion of the Underwriters:–

- (a) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or
- (b) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares to be taken up; or
- (c) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then the Underwriters may, by notice in writing given to the Company on or before Latest Time for Termination, rescind the Underwriting Agreement and thereupon all obligations of the Underwriters hereunder shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save for any antecedent breaches thereof) and the Rights Issue shall not proceed.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in investment holding, providing financial services including, among others, securities broking, margin financing and money lending; manufacture and distribute children plastic toys and medical care products like mobility aid and other medical equipment.

The Group commenced its securities brokerage and money lending business in July 2015 and began to contribute to the Group's business operation. As disclosed in the Company's 2015 annual report for the year ended 31 December 2015 (the "**2015 Annual Report**"), segment revenue of the Group's securities brokerage, money lending and other financial service (the "**Existing Financial Business**") aggregated to approximately HK\$36.4 million, representing approximately 20.6% of the Group's total revenue. In addition, despite segment loss of approximately HK\$10.0 million recorded by the Group for the year ended 31 December 2015, the Existing Financial Business recorded segment profit of approximately HK\$25.3 million. As such, business performance of the Existing Financial Business which recorded segment profit had outperformed the Group's non-financial business which recorded segment loss for year ended 31 December 2015.

As indicated in the 2015 Annual Report, in order to achieve better return and enhancing the expansion of the financial sectors of the Group, the Company will focus on the existing businesses and investment in securities market, and wish to participate in providing other financial services which can leverage with the Group's existing financial sectors and aim at extending the Group's financial businesses to the market of Mainland China.

Owing to the nature of the Existing Financial Business, the Group requires extensive cash to grow and for its business operation for generating income stream. According to the 2015 Annual Report, despite the Group recorded profit from continuing operation of approximately HK\$295.2 million, a substantial portion is attributable to increase in fair value for held-for-trading investments of approximately HK\$380.5 million, which are unrealized gain and will not bring in immediate cash inflow until disposal. After excluding the aforesaid fair value change for held-for-trading investments, the Group recorded loss from its operations. Furthermore, the Group recorded net cash outflow from operating activities of HK\$235.8 million for year ended 31 December 2015 as compared with a net cash inflow of approximately HK\$44.2 million in 2014.

As at 30 April 2016, based on the unaudited consolidated management accounts of the Group, the Group had cash and cash equivalent of approximately HK\$472.3 million. Subsequently, the Group received proceeds of approximately HK\$50.7 million from issue of bonds. Subsequent to 30 April 2016 and prior to completion of the Rights Issue, which is estimated to take place in September 2016, the Company estimates that an aggregate of approximately HK\$255 million (excluding the funding needs of the Possible Acquisition (as defined below)) will have been utilized by the Group as follows: (i) approximately HK\$120.7 million was lent out to 7 clients through Black Marble Capital Limited; (ii) on 18 May 2016 the Group had provided a capital injection of approximately HK\$56.0 million to Black Marble Securities for financing its operation. As at the date of this announcement, Black Marble Securities has 15 potential margin clients requesting approximately HK\$120 million; (iii) approximately HK\$39.4 million will be used for settlement of cash consideration in relation to the acquisition of an online automotive financing and wealth management platform "Qianneizhu" in the PRC, tentatively in July 2016. Details are set out in the announcement of the Company dated 31 March 2016; and (iv) approximately HK\$38.9 million will be used for settlement of cash consideration in relation to the acquisition of property interest in Hong Kong, tentatively by early September 2016. Details are set out in the announcement of the Company dated 19 April 2016. Furthermore, as stated in the announcement of the Company dated 22 March 2016, the Group has entered into the memorandum of understanding in relation to a possible acquisition of properties by way of cash for not more than HK\$140 million (the "**Possible Acquisition**"). As such, the Group considers that it is essential for it to have readily available fund for financing the Possible Acquisition should it become materialized.

After considering actual and proposed funding needs (including the funding needs of the Possible Acquisition) as shown above, the cash and cash equivalent of the Group will be reduced to approximately HK\$128 million, which will be less than the operating cash outflow of the Group for the year ended 31 December 2015 of over HK\$200 million, the Directors are of the view that such amount will not be sufficient to satisfy the Group's funding needs for its business operation and future development.

The gross proceeds from the Rights Issue will be not less than approximately HK\$307.1 million and not more than approximately HK\$309.6 million. The net proceeds from the Rights Issue after deducting the estimated expenses are estimated to be approximately HK\$301.0 million. The Company intends to apply net proceeds from the Rights Issue as to (i) approximately HK\$150.0 million in aggregate for seed capital investment for the Proposed Portfolio (as defined below) and operation of asset management business. The Group is in the process of applying for a license for carrying out the Type 9 (asset management) regulated activity under the SFO; (ii) approximately HK\$80.0 million for developing the finance lease business in the PRC; and (iii) the remaining balance of approximately HK\$71.0 million for financing the operation of the Group's existing securities brokerage, margin financing and money-lending business.

(i) Development of asset management business

The Group has established a company on 2 July 2015 for carrying out asset management business (the “**Asset Management Company**”). The Asset Management Company intends to serve institutional and high net worth individuals, who are within the definition of “professional investor” under the SFO. The Asset Management Company is in the process of applying for a license for carrying out the Type 9 (asset management) regulated activity under the SFO (the “**Asset Management Licence**”). The Company estimates that the Asset Management Licence will be granted to the Asset Management Company by August 2016.

Furthermore, the Company has already obtained the necessary approvals and has set up Black Marble Global Investment Fund SPC (the “**Fund**”), an exempted segregated portfolio company incorporated in the Cayman Islands. As a segregated portfolio company, the Fund can operate segregated portfolios. Essential partners required prior to the launch of a segregated portfolio of the Fund includes, (i) portfolio manager, which is responsible for implementing investing strategy and managing trading activities of a segregated portfolio; (ii) investment adviser, which is responsible for making investments on behalf of, and/or providing advice to, the segregated portfolio; (iii) administrator, which served as a third-party administrator is to independently calculate the net asset value of the segregated portfolio; (iv) custodian, which is responsible for holding and safeguarding the investments owned within the segregated portfolio; and (v) auditor, which is responsible to audit the books and records as at the end of each financial year. The Group intends to launch a proposed segregated portfolio (the “**Proposed Portfolio**”) to be operated by the Fund where the Asset Management Company will act as the investment adviser once it has obtained the Asset Management Licence (tentatively in August 2016), being a pre-requisite for it to carry out its duty as the investment adviser of the Proposed Portfolio.

Apart from the Asset Management Company, other essential partners (including portfolio manager, administrator, custodian and auditor) for the launch of the Proposed Portfolio have also been identified. Since the Fund has already been established, the Proposed Portfolio could be launched upon completing the filing and registration procedures, which is expected to be completed within one month. As such, it is anticipated that regulatory approval for launch of the Proposed Portfolio will be completed by around September 2016. Therefore, the Company requires readily available funding for investing in the Proposed Portfolio once the regulatory approval is obtained and to seize suitable investment opportunities in a timely fashion to provide investment return to the Group and the Shareholders.

Key information of the Proposed Portfolio is as follows:

Fund name:	The Fund
Place of incorporation:	Cayman Islands
Portfolio Name:	The Proposed Portfolio, its name will be determined upon obtaining the Asset Management Licence
Investment objective:	The investment objective of the Proposed Portfolio is to generate returns over the short to long term through investing in the Hong Kong listed securities.
Investment strategy:	Invest in Hong Kong listed securities applying extensive knowledge of the Hong Kong equity markets, together with rigorous quantitative and fundamental analysis of individual companies.
Target size of the Proposed Portfolio:	HK\$500 million at 1st anniversary of the establishment of the Proposed Portfolio
Proposed portfolio manager:	Black Marble Capital Management Limited
Proposed investment advisor:	The Asset Management Company
Target investors:	For professional investors only

The assets of the Proposed Portfolio will be actively managed to invest in various industries to enable the Proposed Portfolio to achieve its investment objective.

Proposed application of net proceeds from the Rights Issue for asset management business

Upon obtaining the Asset Management Licence and proceeds from the Rights Issue, the Company intends to apply approximately HK\$150.0 million for its development of asset management business, of which (i) approximately HK\$10.0 million will be applied by third quarter of 2016 for operation of asset management business; and (ii) approximately HK\$140.0 million will be applied as seed capital for investing in the Proposed Portfolio which is proposed to be launch in September 2016.

The expected initial investment distribution of the seed capital of approximately HK\$140.0 million for the Proposed Portfolio is as follows:

Sector	Approximate weighting (%)
Industrial	10%
Health and pharmaceutical	20%
Retail	10%
Communication technology	10%
Real estates	10%
Financial services	20%
Software and information technology	10%
Others	10%
	<hr/>
Total	<u>100%</u>

The Company will regularly review and monitor the performance of each sector and will invest according to the above investment strategy and objective of the Proposed Portfolio with the seed capital within 3 months after the injection.

As an initial start, it is essential for the Proposed Portfolio to demonstrate outstanding performance for attracting new investors for the Proposed Portfolio for scaling up to its targeted portfolio size. Upon attracting new investors for the Proposed Portfolio, the Group will receive a fixed management fee and variable performance fee from the investors.

Apart from the Proposed Portfolio, the Asset Management Company also intends to act as investment advisor and/or investment manager for those segregated investment portfolio(s) which may be launched by the Fund from time to time (the “**Possible Portfolio(s)**”) with specific investment objective to cater for different risk appetite of investors. The Possible Portfolio(s) would invest in companies listed in established stock markets and/or with portfolios of other investment relating to a wide spectrum of industries, including pre-IPO investments. It is expected that the Possible Portfolio(s) will be predominantly Hong Kong listed shares but will also include bonds, warrants, options, futures contract, unit trusts, mutual funds, pre-IPO investments and other derivatives (whether listed or unlisted) mainly in the Hong Kong securities and futures markets.

No definitive agreement had been entered into by the Company in respect of the investment for the Proposed Portfolio. Further, up to the date of this announcement, the Group had not yet identified any specific strategic investments in any investment target. Notwithstanding the above, the Group may at any time and from time to time explore, pursue and/or proceed with investment(s) and/or launch of Possible Portfolio(s), as and when opportunities arise which are considered beneficial to the Group.

Mr. Mak, the chairman and executive Director, will be responsible for supervising the asset management business of the Group. Mr. Mak will take the lead role of the asset management business, which he was previously the group's chief executive officer and executive director of Convoy Financial Holdings Limited, a sizeable financial company which issued shares are listed on the main board of the Stock Exchange. Mr. Mak has all-rounded experiences in financial industry in Hong Kong and the PRC for over 15 years including but not limited to corporate finance, money lending, assets management and securities advisory, which demonstrated his knowledge and experience formed a major part in developing the business.

In addition, the two responsible officers (the “**Proposed ROs**”) of the Asset Management Company possess profound working experience in managing asset management business. Each of the Proposed ROs has around 4 years of experience in acting as responsible officer for Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. One of the Proposed ROs has over 15 years of working experience and has been acted as managing director of an asset management company. The Proposed ROs possess profound working experience in respect of (i) supervising the operation of and formulating investment strategy of assets management business for both fund management and discretionary account management; (ii) managing a number of fund portfolios in terms of assets allocation, risk monitoring, portfolio analysis and evaluating fund performance; (iii) managing various investment products including but not limited to securities, futures, warrants, options, swaps and OTC products, etc. not only in Hong Kong but with a global market coverage.

(ii) **Development of finance lease business in the PRC**

The Directors consider to setup a finance leasing company in the PRC to collaborate with the Group's existing financial services business for expanding the Group's existing financial business to the market of PRC. As at the date of this announcement, the Group is in the process of applying the PRC finance leasing license in Shanghai through a wholly-owned subsidiary (the “**Shanghai Company**”). To the best estimation of the Directors, the license will be granted in July 2016.

The Company plans to invest HK\$80 million by third quarter of 2016 as capital contribution to the Shanghai Company and for financing operation of PRC finance leasing business.

The registered capital of Shanghai Company will be RMB100 million, which will be partially funded by the Group's internal resources. According to the Measures on the Administration of Foreign Investment in the Leasing Industry (外商投資租賃業管理辦法), total assets of a foreign-funded financial leasing company should not be less than US\$5 million (equivalent to approximately HK\$39 million). In addition, according to the Measures on the Financial Support on Promoting the Development of Leasing Company in Pudong (浦東新區促進融資租賃企業發展財政扶持辦法), Shanghai Company will enjoy a RMB5 million subsidy from the government if the registered capital is RMB100 million. Therefore, the Directors considered to invest RMB100 million (equivalent to approximately HK\$120 million) as the registered capital of Shanghai Company given that it would provide more flexibility in operating the business and benefit from the government subsidy.

The Group estimated that the first 20% of the registered capital (equivalent to approximately HK\$24 million) will be injected to the Shanghai Company within 30 days upon the business license of Shanghai Company was granted (“**First Injection**”). It is expected that such license will be granted in July 2016. The remaining 80% of the registered capital (equivalent to approximately HK\$96 million) will be injected in Shanghai Company within the next 30 days after the First Injection, which shall be satisfied by the net proceeds from the Rights Issue and partially funded by internal resources of the Group.

The Shanghai Company is required to obtain (i) the Certificate of Approval for Enterprises Invested by the Chinese from Taiwan Hong Kong and Macau of the People’s Republic of China; and (ii) the Business License for an Enterprise as a Legal Person. Save for the licenses mentioned above, the Shanghai Company does not need to obtain any further license/permit/approval for its business. The Directors do not foresee any material obstacle in obtaining such licenses at this stage. In order to pursue the Group’s proposed business development in the PRC finance lease business, the Directors will also consider to acquire PRC finance lease company should suitable opportunities arise.

Upon obtaining the required licenses, the Shanghai Company will first participate in motor vehicles finance leasing business to generate stable income stream. Thereafter, it will further tap into finance leasing business in various sectors, including but not limited to transportation equipment, such as ships, other medical equipment, high-end diagnostic equipment and other industrial machinery and equipment in future.

For the nature of sales channel, at the preliminary stage of the business, Shanghai Company does not plan to establish an online platform when the customer base is not strengthened and extra cost will be incurred. Instead, the Shanghai Company will identify potential customers based on referral, market research and advertising. Currently, Shanghai Company approaches potential customers for the leasing service and expects that the number of potential customers will increase after the marketing campaign which will be launched in September 2016. Shanghai Company expects the marketing cost will be approximately HK\$3 million, mainly for recruiting experienced marketing staff that focuses on customer relationship development, preparation of analytical reports that summarize the details of finance lease terms to potential customers.

The Shanghai Company targets to commence its business in Shanghai as the starting point and will further expand to Shenzhen in the near future.

Shanghai Company will focus on potential customers which have stable income stream and with good credit history. Shanghai Company will also focus on establishing cooperative relationship with good-quality, large and medium-sized enterprises. On the other hand, Shanghai Company will cooperate with large sized automotive suppliers in order to provide a wide variety of products to customers.

In carrying out the finance lease business, the Shanghai Company will have to purchase assets for leasing to potential lessees where Shanghai Company will receive periodic lease payments in return. At the end of the first year of business, the Shanghai Company targets to attain an asset size of approximately RMB100 million.

Shanghai Company will first purchase the motor vehicles upon the request of the customers from the automotive suppliers and lease to the customers. The customers will initially pay 20% to 30% of the principal as leasing deposit and handling charges after entering into the leasing agreement with Shanghai Company. In normal circumstances, the leasing period will be 1 to 3 years and the customers will pay the rental fee to Shanghai Company on a monthly basis. Shanghai Company will own the ownership of the motor vehicles during the leasing period and will exercise the repurchase mechanism with the automotive suppliers if the customers did not pay for the rental fee. Meanwhile, the maintenance and repairment cost of the motor vehicles will be borne by the customers and Shanghai Company will transfer the ownership to the customers after the leasing period.

The Shanghai Company is recruiting 10 to 15 potential marketing staff that have extensive experience in customer relationships and marketing.

The Shanghai Company will also setup a credit assessment team of 5 potential credit assessment staff that have concrete knowledge and experience in credit assessment in order to keep the risky assets at a tolerate level and minimize the credit risk impact. The team will mainly focus on finance lease application, due diligence including but not limited to conducting credit analysis of financial position, collateral quality, repayment ability and credit profiling of the lease and quotation of finance lease terms. The team will also closely monitor the repayment, the leased assets information and the provision of rental to ensure the lease obligations are fulfilled without default.

Besides, Mr. Mak will take the lead role of the PRC finance lease business. Mr. Mak was previously the group's chief executive officer and executive director of Convoy Financial Holdings Limited, a sizeable financial company which issued shares are listed on the main board of the Stock Exchange. Mr. Mak has all-rounded experiences in financial industry in Hong Kong and the PRC for over 15 years including but not limited to corporate finance, money lending, assets management and securities advisory, which demonstrated his knowledge and experience and formed a major part in developing the business.

(iii) General working capital requirement for securities brokerage, margin financing and money lending business of the Group

Black Marble Securities is a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO. According to the SFO, licensed corporations must maintain paid-up share capital and liquid capital not less than the specified amounts according to the financial resources rules (“FRR”). In order to maintain a sufficient level of financial resources and for expansion of the securities brokerage and margin financing businesses, the Company intends to further inject HK\$71 million into Black Marble Securities as its general working capital and reserve for its margin financing facility to its clients. As at the date of this announcement, Black Marble Securities has an aggregate of approximately 460 clients, out of which approximately 230 are margin financing clients and approximately 10 are professional investors (as defined in the SFO as extended by the Securities and Futures (Professional Investor) Rules (Chapter 571D) of the Laws of Hong Kong). Currently, 15 potential and existing clients have enquired Black Marble Securities in relation to margin financing with an aggregate amount of HK\$120 million.

In addition, Black Marble Securities is currently discussing with several potential clients and will enter into placing agreements and/or underwriting agreements with such clients to act as placing agent or underwriter. The third party clients in respect of committed and/or possible underwriting and/or placing services involve (i) an underwriting agreement entered into in May 2016 with a company which shares are listed on Main Board of the Stock Exchange and principally engaged in properties investment for an underwriting commitment of approximately HK\$548 million. The aforesaid will be materialized in August 2016; and (ii) negotiation with a company which shares are listed on Main Board of the Stock Exchange and principally engaged in wastes recycling for a possible underwriting and/or placing services of approximately HK\$500 million. Black Marble Securities proposes to enter into underwriting agreements with such clients to act as their underwriters. In considering the underwriting agreements that are in discussion together with those that were already entered into between Black Marble Securities and the clients, the total underwriting commitment is expected to be approximately HK\$1,048 million. According to FRR, in order for Black Marble Securities to participate in underwriting, it is required to maintain liquidity capital of approximately 1% to 15% of the net underwriting commitment, the percentage of which depends on the difference between the subscription price and the market price of the listed companies and the share categories of the listed companies. Therefore, the actual and potential underwriting commitment shall require approximately HK\$10.5 million to HK\$157.2 million to maintain the liquidity capital of Black Marble Securities.

In view of the nature of securities brokerage, margin financing and money lending business which requires readily available fund for fostering such business development. Therefore, the Board considers that it will be a merit for the Group to have additional funding for the aforesaid business development.

In view of (i) the funding needs of the Group as stated above; (ii) recent development, performance and contribution of the Group's securities brokerage, margin financing and money-lending businesses to the Group's operation; and (iii) Group's business strategy in pursuing further development in financial sector which renders the needs for readily available funds, the Directors consider that it will be a merit for the Group to have additional working capital for its business operation and development.

The Board considers that it is prudent to finance the Group's long-term growth by long-term financing, preferably in the form of equity. The Board also believes that the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to enjoy the potential growth prospects of the Group. Accordingly, the Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

The Board has considered other fund raising alternatives before resolving to the Rights Issue, including but not limited to debt financing and placing of new Shares. Debt financing or bank loans would result in additional interest burden and higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, the Company has attempted to obtain loan financing from a principal banker for financing its business expansion, however, such principal banker indicated that it was unlikely for the Company to obtain the Group's proposed scale of loan financing from it without the pledge of assets. According to such principal banker and the Group's past experience in negotiating for loan financing from its principal bankers, pledge of bank balances and time deposits would allow the Company to obtain loan financing of an amount equivalent to approximately the pledged amount, which would not provide sufficient capital for the Company to finance its business expansion. In addition, as a significant portion of the Company's property, plant and equipment ("PPE") is situated in the PRC, the principal bankers indicated that a deep discount would be deducted from the pledged PPE. Accordingly, the PPE of the Company, amounting to approximately HK\$110.0 million as at 31 December 2015, would also not allow the Company to finance its needs for the proposed business expansion. Therefore, given the fund raising size and the scale of business expansion of the Company, the Directors considered that it would not be feasible for the Company to obtain the required amount from bank financing at favourable terms. Placing of new Shares would only be available to certain placees who were not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders. The Directors considered that it would be unfair to those Shareholders who had stayed with the Company for a considerable time, especially when the prospect of the Company is expected to improve. Furthermore, placing of new Shares would be difficult due to the current market condition and the Company has yet to identify suitable potential investors.

Based on the foregoing, the Board considers that raising funds by way of the Rights Issue is more efficient and beneficial to the Company and the Shareholders as a whole as compared to raising fund by any other means.

Based on current information available to the Group, the Directors estimate that, in the absence of any unforeseen circumstances, the net proceeds from the Rights Issue shall be sufficient for the Group's expected funding requirements for the next 12 months. In addition, as at the date of this announcement, save for the Rights Issue, the Company did not have any immediate plan or was not contemplating to have further fund raising for at least the next twelve months for financing its business or investments and any other potential projects or transactions of the Company.

WARNING OF THE RISKS OF DEALING IN THE SHARES OR THE CONSOLIDATED SHARES (AS THE CASE MAY BE) AND/OR NIL-PAID RIGHTS SHARES

Shareholders and potential investors should note that the Rights Issue is subject to the satisfaction of certain conditions as described under the section headed "Conditions of the Rights Issue" in this announcement. In particular, it is conditional upon the Underwriting Agreement having become unconditional and the Underwriters not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Rights Issue may or may not proceed and the Shareholders and the public are reminded to exercise caution when dealing in the Shares or the Consolidated Shares (as the case may be) and/or nil-paid Rights Shares.

Shareholders should note that the Consolidated Shares will be dealt in on an ex-entitlement basis commencing from Tuesday, 16 August 2016 and that dealings in Rights Shares in the nil-paid form will take place from 9:00 a.m. on Monday, 29 August 2016 to 4:00 p.m. on Monday, 5 September 2016 (both dates inclusive) while the conditions to which the Underwriting Agreement is subject to remain unfulfilled. Any Shareholder or other person dealing in the Shares or the Consolidated Shares (as the case may be) and/or nil-paid Rights Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholder or other person contemplating any dealings in the Shares or the Consolidated Shares (as the case may be) and/or nil-paid Rights Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

EXPECTED TIMETABLE

Set out below is the expected timetable for the implementation of the Share Consolidation, the Increase in Authorised Share Capital and the Rights Issue:

Event 2016

Expected date of dispatch of the Circular and the notice of the SGM. Wednesday, 27 July

Latest date and time for lodging transfers of Shares
in order to be qualified for attendance and voting
at the SGM. 4:30 p.m. on Friday, 5 August

Closure of register of members of the Company
for transfer of Shares to determine the right
to attend and vote at the SGM (both dates inclusive). Monday, 8 August to
Friday, 12 August

Latest time for return of proxy form of the SGM
(not less than 48 hours prior to time of the SGM). 9:00 a.m. on Wednesday, 10 August

Record date for attendance and voting at the SGM Friday, 12 August

Expected date of the SGM. 9:00 a.m. on Friday, 12 August

Announcement of results of the SGM Friday, 12 August

The following events are conditional on the fulfillment of the conditions for the implementation of the Share Consolidation.

Effective date of the Share Consolidation and
the Increase in Authorised Share Capital Monday, 15 August

Commencement of dealings in the Consolidated Shares 9:00 a.m. on Monday, 15 August

Original counter for trading in Shares (in board lots
of 20,000 Shares) (in the form of existing
share certificates) temporarily closes 9:00 a.m. on Monday, 15 August

Temporary counter for trading in Consolidated Shares,
in board lots of 4,000 Consolidated Shares
(in the form of existing share certificates) opens 9:00 a.m. on Monday, 15 August

First day for the free exchange of existing certificates of the Shares into new share certificates of Consolidated Shares commences	Monday, 15 August
Last day of dealings in Consolidated Shares on a cum-entitlement basis in respect of the Rights Issue	Monday, 15 August
First day of dealings in Consolidated Shares on an ex-entitlement basis in respect of the Rights Issue.	Tuesday, 16 August
Latest time for lodging transfers of Consolidated Shares in order to qualify for the Rights Issue	4:30 p.m. on Wednesday, 17 August
Register of members closes (both dates inclusive) to determine the entitlements to the Rights Issue.	Thursday, 18 August to Wednesday, 24 August
Record Date for the Rights Issue	Wednesday, 24 August
Register of members re-opens	Thursday, 25 August
Despatch of the Prospectus Documents	Thursday, 25 August
Original counter for trading in Consolidated Shares in board lots of 20,000 Consolidated Shares (in the form of new share certificates) re-opens	9:00 a.m. on Monday, 29 August
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) commences	9:00 a.m. on Monday, 29 August
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of Consolidated Shares.	9:00 a.m. on Monday, 29 August
First day and time of dealings in nil-paid Rights Shares	9:00 a.m. on Monday, 29 August
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Wednesday, 31 August
Last day and time of dealings in nil-paid Rights Shares	4:00 p.m. on Monday, 5 September
Latest Time for Acceptance	4:00 p.m. on Thursday, 8 September
Latest Time for Termination.	4:00 p.m. on Tuesday, 13 September

Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of Consolidated Shares 4:00 p.m. on Monday, 19 September

Temporary counter for trading in board lots of 4,000 Consolidated Shares (in the form of existing share certificates) closes. 4:00 p.m. on Monday, 19 September

Parallel trading in Consolidated Shares (in the form of new and existing certificates) ends. 4:00 p.m. on Monday, 19 September

Announcement of the results of the Rights Issue. Tuesday, 20 September

Despatch of certificates for the fully-paid Rights Shares. Wednesday, 21 September

Despatch of refund cheques if the Rights Issue is terminated Wednesday, 21 September

Last day of free exchange of existing certificates for new certificates for Consolidated Shares Wednesday, 21 September

Expected first day of dealings in the fully-paid Rights Shares 9:00 a.m. on Thursday, 22 September

All times stated in this announcement refer to Hong Kong times.

The latest time for acceptance of and payment for Rights Shares will be postponed if there is a tropical cyclone warning signal no. 8 or above, or a ‘black’ rainstorm warning.

- i. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same business day;
- ii. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the latest time of acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m

If the Latest Time for Acceptance is postponed in accordance with the foregoing, the dates mentioned in the section headed “Expected timetable” in this announcement may be affected. An announcement will be made by the Company in such event as soon as possible.

EFFECTS ON SHAREHOLDING STRUCTURE

The existing and enlarged shareholding structures of the Company immediately before and after the completion of the Rights Issue are set out below:

Scenario 1:

Assuming that there is no change to the issued share capital of the Company from the date of this announcement up to and including the Record Date:

Shareholders	As at the date of this announcement		Upon completion of the Rights Issue					
			Immediately after the Share Consolidation becoming effective but before the completion of the Rights Issue		Assuming except Mr. Mak’s Undertaking, no Qualifying Shareholders take up their respective entitlements under the Rights Issue		Assuming full subscription by the Qualifying Shareholders as to their respective entitlements under the Rights Issue	
			<i>No. of</i>		<i>No. of</i>		<i>No. of</i>	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>Consolidated Shares</i>	<i>Approximate %</i>	<i>Consolidated Shares</i>	<i>Approximate %</i>	<i>Consolidated Shares</i>	<i>Approximate %</i>
Directors								
Mr. Huang (<i>Note 1</i>)	225,454,160	5.9	45,090,832	5.9	45,090,832	2.0	135,272,496	5.9
Mr. Mak (<i>Note 2</i>)	660,000	0.017	132,000	0.017	217,072,320	9.4	396,000	0.017
Other public Shareholders	3,612,592,736	94.1	722,518,547	94.1	722,518,547	31.4	2,167,555,641	94.1
Black Marble Securities and its associates, sub-underwriter(s) and subscriber(s) procured by the Underwriters (if any) (<i>Note 3</i>)	–	–	–	–	1,318,542,438	57.2	–	–
Total	3,838,706,896	100.00	767,741,379	100.00	2,303,224,137	100.00	2,303,224,137	100.00

Scenario 2:

Assuming that there is no change to the issued share capital of the Company other than as a result of the issue of Shares upon exercise of the Outstanding Options in full from the date of this announcement up to and including the Record Date:

Shareholders	Upon completion of the Rights Issue									
	As at the date of this announcement		Immediately after the Outstanding Options are exercised in full and up to the Record Date		Immediately after the Outstanding Options are exercised in full and the Share Consolidation becoming effective but before the completion of the Rights Issue		Assuming except Mr. Mak's Undertaking, no Qualifying Shareholders take up their respective entitlements under the Rights Issue		Assuming full subscription by the Qualifying Shareholders as to their respective entitlements under the Rights Issue	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Consolidated Shares	Approximate %	No. of Consolidated Shares	Approximate %	No. of Consolidated Shares	Approximate %
Directors										
Mr. Huang (Note 1)	225,454,160	5.9	225,454,160	5.8	45,090,832	5.8	45,090,832	1.9	135,272,496	5.8
Mr. Mak (Note 2)	660,000	0.017	660,000	0.017	132,000	0.017	217,072,320	9.3	396,000	0.0171
Other public Shareholders	3,612,592,736	94.1	3,612,592,736	93.4	722,518,547	93.4	722,518,547	31.1	2,167,555,641	93.4
Holders of the Outstanding Options	-	-	31,173,120	0.8	6,234,624	0.8	6,234,624	0.3	18,703,872	0.8
Black Marble Securities and its close associates, sub-underwriter(s) and subscriber(s) procured by the Underwriters (if any) (Note 3)	-	-	-	-	-	-	1,331,011,686	57.3	-	-
Total	3,838,706,896	100.00	3,869,880,016	100.00	773,976,003	100.00	2,321,928,009	100.00	2,321,928,009	100.00

Notes:

- Mr. Huang, an executive Director, is deemed to be interested in a total of 225,454,160 Shares, of which 4,936,000 Shares are held by Mrs. Huang Chen Li Chu and 208,654,160 Shares are held by Intelligence Hong Kong Group Limited. Mrs. Huang Chen Li Chu is the wife of Mr. Huang and Intelligence Hong Kong Group Limited is controlled by Mr. Huang and Mrs. Huang Chen Li Chu.
- Mr. Mak, an executive Director, is interested in 660,000 Shares. Mr. Mak is one of the Underwriters for the Rights Issue and underwrites not more than 216,676,320 Rights Shares.
- The Underwriters have undertaken to the Company in the Underwriting Agreement that (i) the Underwriters and parties acting in concert (within the meaning of the Takeovers Code) with them will not trigger a mandatory offer obligation under Rule 26 of Takeovers Code on the part of the Underwriters in respect of performing their obligations under the Underwriting Agreement; (ii) the Underwriters shall use their reasonable endeavours to ensure that the subscribers for Untaken Shares shall be third parties independent of and not connected with or acting in concert with the Company and its connected persons; (iii) none of the persons to be procured by the Underwriters to subscribe for the Untaken Shares will be a substantial shareholder of the Company holding 10% or more shareholding in the Company immediately after completion of the Right Issue; and (iv) the Underwriters shall and shall cause the sub-underwriters to procure independent subscribers to take up such number of the Untaken Shares as necessary to ensure that the Company will comply with the public float requirement under the Listing Rules upon completion of the Rights Issue. As at the date of this announcement, the Underwriters have not identified/procured any sub-underwriters.

As at the date of this announcement, Mr. Mak is interested in 660,000 Shares while his close associates do not hold any Shares. Black Marble Securities and its close associates do not hold any Shares.

FUND RAISING ACTIVITY IN THE PAST 12 MONTHS

Save as disclosed below, the Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the date of this announcement. Set out below is the details of the Previous Open Offer which was completed on 17 December 2015:

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Proposed use of net proceeds	Actual use of proceeds as at the date of this announcement
14 August 2015	The Previous Open Offer	HK\$422 million	<ul style="list-style-type: none"> (i) approximately HK\$288 million for the investment in securities and brokerage and margin financing; (ii) approximately HK\$117 million for the operation of the money-lending business in Hong Kong; and (iii) remaining balance for general working capital of the Group 	<ul style="list-style-type: none"> (i) approximately HK\$288 million was used for investment in securities and brokerage and margin financing; (ii) approximately HK\$117 million was used for the operation of the money-lending business in Hong Kong; (iii) approximately HK\$6 million was used for general working capital of the Group; (iv) remaining balance of approximately HK\$11 million was maintained at the Group's bank accounts and will be utilized for general working capital of the Group.

Shareholding dilution effects and cumulative dilution effects of the Previous Open Offer and the Rights Issue

According to the prospectus of the Company dated 27 November 2015 in relation to the Previous Open Offer of 2,879,030,172 offer shares, immediately prior to completion of the Previous Open Offer, public shareholders of the Company held 902,713,184 shares of the Company (the “**Initial Public Shareholding**”), representing approximately 94.07% of the then total number of issued shares of the Company, being 959,676,724 shares.

The dilution effects of the Previous Open Offer and the Rights Issue on the shareholding interest and their cumulative dilution effects are set out below:

	Issued share capital of the Company	Initial Public Shareholding to the issued share capital of the Company Number of shares/ (Approximate %)	Dilution effects (Approximate %)	Cumulative dilution effects (Approximate %)
Immediately prior to completion of the Previous Open Offer	959,676,724	902,713,184 (94.07%)	–	–
Immediately after completion of the Previous Open Offer	3,838,706,896	902,713,184 (23.51%)	75.00%	75.00%
Immediately after Completion of the Rights Issue (<i>Note 1</i>)	2,303,224,137	180,542,636 (7.84%) (<i>Note 2</i>)	66.67% (<i>Note 3</i>)	91.67% (<i>Note 4</i>)

(b) The price dilution effects of the Previous Open Offer and the Rights Issue are set out below:

	Theoretical entitlement price after the respective fund raising activities based on closing price on the last trading day (the “TEEP Price”)	Closing price/ theoretical closing price on the last trading day	Discount of respective TEEP Price to closing price/theoretical closing price on the last trading day (Approximate %)
Previous Open Offer	HK\$0.230	HK\$0.470	51.1%
Rights Issue	HK\$0.317	HK\$0.550	42.4%

Notes:

1. Immediately after completion of the Rights Issue and assuming none of the Rights Shares are subscribed for by the Qualifying shareholders and no new Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue.
2. Taking into account the Share Consolidation becoming effective.
3. Immediately after completion of the Previous Open Offer, the Initial Public Shareholding accounted for approximately 23.51% of the issued share capital of the Company. Following the completion of the Rights Issue, the Initial Public Shareholding decreased to approximately 7.84% from approximately 23.51%, which represents dilution effect of approximately 66.67%.
4. Immediately prior to completion of the Previous Open Offer, the Initial Public Shareholding accounted for approximately 94.07% of the issued share capital of the Company. Following the completion of the Previous Open Offer and the Rights Issue, the Initial Public Shareholding decreased to approximately 7.84% from approximately 94.07%, which represents dilution effect of approximately 91.67%.

Therefore, as stated as above, if the Initial Public Shareholding does not participate in the Previous Open Offer and the Rights Issue, the cumulative dilution effects on their shareholding interests would be approximately 91.67%.

ADJUSTMENTS IN RELATION TO THE OUTSTANDING OPTIONS

As at the date of this announcement, there are Outstanding Options granted under the Share Option Schemes entitling the holders thereof to subscribe for up to an aggregate of 31,173,120 Shares. The Rights Issue may cause adjustments to the exercise price of the Outstanding Options and/or the number of Shares to be allotted and issued upon exercise of the Outstanding Options. The Company will make further announcement in respect of such adjustments as and when appropriate.

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. As at the date of this announcement, the Company does not have any controlling Shareholder, whilst Mr. Huang and Mr. Mak, each being an executive Director, holds 225,454,160 Shares and 660,000 Shares respectively are required to abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the SGM.

As no excess application for Rights Shares is available under the Rights Issue (the “**EA Absence**”) and the Rights Issue is partly underwritten by Mr. Mak, an executive Director, pursuant to Rule 7.21(2) of the Listing Rules, specific approval shall be obtained from the Independent Shareholders in respect of the EA Absence. Mr. Mak and his associates will abstain from voting on the EA Absence at the SGM.

Mr. Mak, an executive Director, is a connected person of the Company under Chapter 14A of the Listing Rules and is one of the Underwriters in respect of the Rights Issue. The entering into of the Underwriting Agreement between the Company, Black Marble Securities and Mr. Mak therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Assuming that the Rights Shares are fully taken up by the Shareholders, Mr. Mak will receive a maximum underwriting commission of approximately HK\$650,000 in cash, to be deducted from the proceeds of the Rights Issue. As the underwriting commission to be received by Mr. Mak is on normal commercial terms and all applicable percentage ratios (as defined in the Listing Rules) are less than 5% and the total amount of commission payable to Mr. Mak is less than HK\$3,000,000, the payment of underwriting commission by the Company to Mr. Mak is therefore exempt from reporting, announcement and the independent shareholders' approval requirements under Rule 14A.76(1)(c) of the Listing Rules.

Pursuant to Rule 14A.92(2)(b) of the Listing Rules, provided that Rule 7.21 of the Listing Rules has been complied with, the allotment and issue of the Underwritten Shares to Mr. Mak pursuant to the Underwriting Agreement will be exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Rights Issue will be conducted in compliance with Rule 7.21(2) of the Listing Rules as mentioned above.

Mr. Mak, an executive Director and one of the Underwriters, is considered to have material interest in the Rights Issue and the entering into of the Underwriting Agreement, he has abstained from voting on the relevant Board resolution in this aspect.

For those Shareholders who hold Shares at the date of the SGM and have material interest in the Rights Issue and the EA Absence are required to abstain from voting on the resolution in relation to the Rights Issue and the EA Absence to be proposed at the SGM pursuant to Rule 2.15 of the Listing Rules. The Underwriters have material interest in the Rights Issue and the EA Absence. Should the Underwriters and their respective close associates hold any Shares at the date of the SGM, each of them will be required to abstain from voting on the resolution in relation to the Rights Issue and the EA Absence to be proposed at the SGM.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lam Chak Man, Mr. Chern Shyh Feng, Mr. Ye Jianxin and Mr. Hsu Hong Te has been established to advise the Independent Shareholders in connection with the Rights Issue and the EA Absence, whether the terms are fair and reasonable and whether they are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. With the approval of the Independent Board Committee, Vinco Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in these regards.

GENERAL

A SGM will be held for the Shareholders including the Independent Shareholders (as the case may be), for the purpose of considering and, if thought fit approving, among other things, the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the EA Absence.

The Circular containing, *inter alia*, (i) further details of the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the EA Absence, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue and the EA Absence, (iii) a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders on the Rights Issue and the EA Absence; and (iv) a notice convening the SGM will be despatched by the Company to the Shareholders on or before Wednesday, 27 July 2016.

DEFINITIONS

Unless the context requires otherwise, capitalized terms in this announcement shall have the following meanings:

“associates”	has the meaning ascribed to this term under the Listing Rules
“Black Marble Securities”	Black Marble Securities Limited, a licensed corporation to carry on business in Type 1 (dealing in securities) regulated activity under the SFO
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular to be issued by the Company in relation to, among others, the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the EA Absence
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	Lerado Financial Group Company Limited 隆成金融集團有限公司, a company incorporated in the Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (Stock Code: 1225)
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.50 each in the issued share capital of the Company upon completion of the Share Consolidation
“Director(s)”	director(s) of the Company for the time being

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the proposed increase in authorised share capital of the Company from HK\$1,000,000,000 (divided into 2,000,000,000 Consolidated Shares) to HK\$5,000,000,000 (divided into 10,000,000,000 Consolidated Shares) by the creation of an additional 8,000,000,000 unissued Consolidated Shares
“Independent Board Committee”	the independent board committee of the Board comprising all of the independent non-executive Directors, established for the purpose of advising and giving recommendation to the Independent Shareholders in respect of the Rights Issue and the EA Absence
“Independent Shareholder(s)”	Shareholders other than those who are required to abstain from voting at the SGM under the Listing Rules
“Independent Third Party(ies)”	third party (parties) independent of and not connected with the Company and its connected persons
“Last Trading Day”	29 June 2016, being the date of the Underwriting Agreement
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 8 September 2016 (or such later time or date as may be agreed between the Underwriters and the Company in writing as the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus)
“Latest Time for Termination”	4:00 p.m. on Tuesday, 13 September 2016 (or such later time or date as may be agreed between the Underwriters and the Company in writing as the latest time to terminate the Underwriting Agreement)
“Listing Committee”	has the meaning ascribed to this term under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Huang”	Mr. Huang Ying Yuan, an executive Director
“Mr. Mak”	Mr. Mak Kwong Yiu, chairman, chief executive officer and an executive Director

“Mr. Mak Undertaking”	the irrevocable undertaking given by Mr. Mak in favour of the Company and Black Marble Securities, further details of which are set out in the paragraph headed “Mr. Mak Undertaking” in this announcement
“Non-Qualifying Shareholders”	those Overseas Shareholder(s) to whom the Board, after making enquires, considers it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Rights Shares to them
“Outstanding Options”	share options granted by the Company under the Share Option Schemes which entitle the holders thereof to subscribe for up to an aggregate 31,173,120 Shares as at the date of the Underwriting Agreement
“Overseas Shareholders”	the Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“Previous Open Offer”	open offer on the basis of 3 offer shares for every 1 share at the subscription price of HK\$0.15 per offer share as announced by the Company on 14 August 2015
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL(s) in respect of the Rights Shares to be issued by the Company in relation to the Rights Issue
“Prospectus Posting Date”	Thursday, 25 August 2016 or such other date as the Underwriters may agree in writing with the Company for the despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Non-Qualifying Shareholders for information only (as the case may be)
“Qualifying Shareholders”	the Shareholders, other than the Non-Qualifying Shareholders, whose names appear on the register of members of the Company on the Record Date

“Rights Share(s)”	not less than 1,535,482,758 Consolidated Shares and not more than 1,547,952,006 Consolidated Shares proposed to be offered to the Qualifying Shareholders under the Rights Issue for subscription on the basis of two (2) Rights Shares for every one (1) Consolidated Share held on the Record Date and payable in full on acceptance pursuant to the terms and subject to the conditions set out in the Underwriting Agreement and to be set out in the Prospectus
“Rights Issue”	the proposed issue by way of rights issue to the Qualifying Shareholders for the Rights Shares at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and to be set out in the Prospectus
“Record Date”	Wednesday, 24 August 2016 or such other date as may be agreed between the Company and the Underwriters for the determination of the entitlements under the Rights Issue
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and approve, among other things, the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the transactions contemplated thereunder and the EA Absence
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Consolidation”	the proposed consolidation of every five (5) Shares of HK\$0.1 each into one (1) Consolidated Share of HK\$0.5 each
“Share Option Schemes”	the share option schemes adopted by the Shareholders on 30 May 2002 and 28 May 2012
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the issue price of HK\$0.20 per Rights Share at which the Rights Shares are proposed to be offered for subscription under the Rights Issue

“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriters”	Black Marble Securities and Mr. Mak
“Underwriting Agreement”	the underwriting agreement dated 29 June 2016 entered into between the Company and the Underwriters in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	not less than 1,535,218,758 Rights Shares and not more than 1,547,688,006 Rights Shares being underwritten by the Underwriters pursuant to the terms of the Underwriting Agreement
“Untaken Shares”	the Underwritten Shares which have not been taken up by the Qualifying Shareholders
“Vinco Capital” or “Independent Financial Adviser”	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (stock code: 8340), a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the EA Absence
“%”	per cent.

By order of the Board
Lerado Financial Group Company Limited
Mak Kwong Yiu
Chairman

Hong Kong, 29 June 2016

As at the date of this announcement, the executive Directors are Mr. MAK Kwong Yiu (Chairman and Chief Executive Officer), Mr. HUANG Ying Yuan (Honorary Chairman), Mr. CHEN Chun Chieh, Mr. HUANG Shen Kai and Mr. LAI Kin Chung, Kenneth; and the independent non-executive Directors are Mr. LAM Chak Man, Mr. YE Jianxin, Mr. CHERN Shyh Feng and Mr. HSU Hong Te.