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Lerado Financial Group Company Limited

隆成金融集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1225)

UPDATE ANNOUNCEMENT ON THE RESUMPTION PROGRESS AND THE RESUMPTION CONDITIONS

This announcement is made pursuant to Rule 13.09 and Rule 13.24A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of Lerado Financial Group Company Limited (the “**Company**”) dated 5 June 2017, 6 June 2017 and 7 June 2017 in relation to, among other matters, the letter dated 5 June 2017 issued by the Securities and Futures Commission of Hong Kong (the “**SFC**”) to the Company and the suspension of trading in shares of the Company, as well as the announcements of the Company dated 7 June 2017, 9 August 2017, 20 July 2018, 31 July 2018, 7 November 2018, 31 January 2019, 12 March 2019, 29 April 2020, 31 July 2020, 8 September 2020 and 30 October 2020.

As announced by the Company on 5 June 2017, the Company received a letter from the SFC enquiring about the Company’s open offer in 2015 (“**2015 Open Offer**”) and rights issue in 2016 (“**2016 Rights Issue**”).

In the 2015 Open Offer, offer shares representing approximately 300% of the then outstanding share capital were offered at a discount of approximately 68.09% to the closing price of the Company’s shares on the offer announcement date. The SFC was concerned that the significant dilution of the interests of existing shareholders did not appear to be justified, given the Company had a large cash balance at the previous year end and did not have any imminent funding need.

The SFC also had concerns about undisclosed connections that it found between persons (“**Implicated Persons**”) some of whom acquired unsubscribed offer shares in the 2015 Open Offer at a deeply discounted price.

The Company's 2016 Rights Issue in June 2016 included a five (5) to one (1) share consolidation and a rights issue of two (2) for every one (1) consolidated share at a discount of approximately 63.6% to the theoretical closing price per consolidated share on the offer announcement date.

The SFC had concerns that some of the Implicated Persons voted at the special general meeting to approve the 2016 Rights Issue when they were ineligible to do so. This again resulted in some of the Implicated Persons acquiring shares of the Company at a deep discount.

As announced by the Company on 6 June 2017, the SFC issued a direction under section 8 of the Securities and Futures (Stock Market Listing) Rules to the Stock Exchange of Hong Kong Limited to suspend trading of the Company's shares (the "**section 8 direction**") because the SFC had serious concerns about the affairs of the Company and the conduct and integrity of the Company's management, as it appeared that the board of directors of the Company (the "**Board**") was using highly dilutive fundraisings to dilute the shareholding of existing minority shareholders and to transfer value to the Implicated Persons, and the Board had, at the time, conducted and continued to conduct highly dilutive fundraisings in a manner that was oppressive or unfairly prejudicial to its minority shareholders. The SFC therefore issued the section 8 direction because it appeared to the SFC that (i) the circular for the 2015 Open Offer might have included materially false, incomplete or misleading information; and (ii) it was in the interest of the investing public or in the public interest, or it was appropriate for the protection of investors generally or for the protection of investors in the shares of the Company to do so.

The Board accepts that there are reasonable grounds to suspect that there were unusual circumstances surrounding the 2015 Open Offer and 2016 Rights Issue including involvement of the Implicated Persons.

In order to address these concerns, the Company engaged HLB Hodgson Impey Cheng Limited ("**HLB**") to conduct an independent investigation. HLB issued its report on 1 March 2019 ("**Independent Investigation Report**"), which stated that the concerns expressed by the SFC could not be excluded as being unwarranted and would appear to be legitimate. In this respect, the Company is seeking legal advice on possible actions available to address these concerns and has engaged a consultant to review the Company's internal controls with respect to its money lending business.

The Company also published an announcement dated 12 March 2019 summarizing the major findings of the Independent Investigation Report.

More recently, the Board has been replaced by almost completely new management save for Mr. Chen Chun Chieh (who has not been implicated in the aforesaid matters). However, the SFC remains concerned that Implicated Persons might have influenced the appointment of the incumbent directors of the Company through their combined shareholding in the Company. In order to alleviate the SFC's concerns and to enable trading in the Company's shares to resume, the Company has agreed to fulfil the following conditions:

- (1) The Company shall publish this announcement;

- (2) One of the Implicated Persons, who was a former Board member, shall not hold any management or other position in the Company and its subsidiaries and associated companies (e.g. director, chief executive officer, chief financial officer, company secretary, legal representative, consultant or advisor) or interfere with the businesses and operations of these companies in any manner: and
- (3) The incumbent directors of the Company shall seek shareholders' approval of their directorships in a special general meeting ("SGM"). Shares held by the Implicated Persons will not be counted in the vote at the SGM.

The SFC has informed the Company that it intends to commence civil proceedings in respect of its concerns about the 2016 Rights Issue. Accordingly, any resumption of trading by the Company should not be taken as confirmation that the concerns previously expressed by the SFC in relation to the Company have been fully addressed or rectified.

Investors are advised to exercise caution in approving the directorships in the coming SGM and in dealing with the shares of the Company.

By Order of the Board
Lerado Financial Group Company Limited
Ho Kuan Lai
Executive Director

Hong Kong, 25 January 2021

As at the date of this announcement, the executive Directors are Mr. CHEN Chun Chieh, Ms. HO Kuan Lai and Mr. LEUNG Kam Por Ken; and the independent non-executive Directors are Mr. YU Tat Chi Michael, Mr. YANG Haihui and Mr. LAM Williamson.