
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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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)

- (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) NOTICE OF SPECIAL GENERAL MEETING

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)

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

A letter from the Board is set out on pages 8 to 43 of this circular. A letter from the Independent Board Committee is set out on pages 44 and 45 of this circular. A letter from Vinco Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 46 to 73 of this circular.

A notice convening the SGM of the Company to be held at 9:00 a.m. on Friday, 12 August 2016 at Portion 2, 12/F., The Centre, 99 Queen's Road Central, Central, Hong Kong is set out on pages SGM-1 to SGM-4 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so desire.

Shareholders should note that the Consolidated Shares will be dealt in on an ex-entitlement basis commencing from 9:00 a.m. on Tuesday, 16 August 2016 and that dealings in the Rights Shares in their nil-paid form will take place from 9:00 a.m. on Monday, 29 August 2016 to close of business 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 Latest Practicable Date 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.

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EXPECTED TIMETABLE

The expected timetable for the Share Consolidation, the Increase in Authorised Share Capital and the Rights Issue is set out below:

Event	2016
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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
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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
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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
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Record date for attendance and voting at the SGM	Friday, 12 August
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Expected date of the SGM	9:00 a.m. on Friday, 12 August
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Announcement of results of the SGM	Friday, 12 August
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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
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Commencement of dealings in the Consolidated Shares	9:00 a.m. on Monday, 15 August
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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
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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
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First day for the free exchange of existing certificates of the Shares into new share certificates of Consolidated Shares commences	Monday, 15 August
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EXPECTED TIMETABLE

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

EXPECTED TIMETABLE

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 and dates in this circular refer to Hong Kong times.

Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

Effect of bad weather on the Latest Time for Acceptance

The Latest Time for Acceptance will not take place at 4:00 p.m. on Thursday, 8 September 2016 if there is a tropical cyclone warning signal no. 8 or above, or a 'black' rainstorm warning, if such circumstances are:

- 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. The Latest Time for Acceptance will not take place at 4:00 p.m. on the Latest Time for Acceptance, but will be extended to 5:00 p.m. on the same day instead; or
- 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. The Latest Time for Acceptance will not take place on the Latest Time for Acceptance, but 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 circular may be affected. An announcement will be made by the Company in such event as soon as possible.

DEFINITIONS

In this circular, unless the context requires otherwise, the following terms shall have the following meanings:

“Announcement”	the announcement of the Company dated 29 June 2016 relating to, among other things, the proposed Share Consolidation, the proposed Increase in Authorised Share Capital, the proposed Rights Issue and the EA Absence and the exempt connected transaction in relation to Underwriting Agreement
“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
“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 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

DEFINITIONS

“EA Absence”	the absence of excess application arrangement under the proposed Rights Issue
“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 Financial Adviser” or “Vinc Capital”	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
“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

DEFINITIONS

“Latest Practicable Date”	25 July 2016, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein
“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 of the Board, 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, details of which are set out in the paragraph headed “Mr. Mak Undertaking” in this circular
“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 Latest Practicable Date

DEFINITIONS

“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 circular, 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
“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

DEFINITIONS

“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
“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
“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
“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 respectively
“Shareholder(s)”	holder(s) of the Share(s)
“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

DEFINITIONS

“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
“%”	per cent.

TERMINATION OF THE UNDERWRITING AGREEMENT

If at any time on or before the 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 the Latest Time for Termination, rescind the Underwriting Agreement and thereupon all obligations of the Underwriters thereunder 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 hereof) and the Rights Issue shall not proceed.

LETTER FROM THE BOARD



Lerado Financial Group Company Limited
隆成金融集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1225)

Executive Directors:

Mr. MAK Kwong Yiu

(Chairman and Chief Executive Officer)

Mr. HUANG Ying Yuan *(Honorary Chairman)*

Mr. HUANG Shen Kai

Mr. CHEN Chun Chieh

Mr. LAI Kin Chung, Kenneth

Independent Non-executive Directors:

Mr. LAM Chak Man

Mr. YE Jianxin

Mr. CHERN Shyh Feng

Mr. HSU Hong Te

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Principal Place of Business

in Hong Kong:

Units 1-3, 30/F

Universal Trade Centre

3-5A, Arbuthnot Road

Central, Hong Kong

27 July 2016

To the Shareholders

Dear Sir or Madam,

- (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) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement, in relation to, among other things, (i) the proposed Share Consolidation; (ii) the proposed Increase in Authorised Share Capital; (iii) the proposed Rights Issue and the EA Absence; and (iv) the exempt connected transaction in relation to Underwriting Agreement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you, among other things, (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 EA Absence; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue and EA Absence; and (iv) a notice convening the SGM.

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 Latest Practicable Date, 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 the Latest Practicable Date 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.

LETTER FROM THE BOARD

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 circular, the Company has no intention to conduct other fund-raising activities as at the Latest Practicable Date.

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.

LETTER FROM THE BOARD

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.

The new share certificates for the Consolidated Shares will be issued in dark green colour in order to distinguish them from existing share certificates for the existing Shares which are in light green colour.

Odd lots arrangement and matching services

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company has appointed Black Marble Securities Limited 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. Shareholders who wish to take advantage of this facility should contact Ms. Jessica Cheung of Black Marble Securities Limited at 21/F, The Wellington, No.198 Wellington Street, Central, Hong Kong (telephone number: (852) 3700 9600) during office hours of such period. 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.

LETTER FROM THE BOARD

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* in all respects 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 Latest Practicable Date:	3,838,706,896
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective:	767,741,379 Consolidated Shares

LETTER FROM THE BOARD

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 Latest Practicable Date 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 Latest Practicable Date up to and including the Record Date.

As at the Latest Practicable Date, 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.

Save for the Outstanding Options, as at the Latest Practicable Date, 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 Latest Practicable Date 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.

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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 Latest Practicable Date 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;
- (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; and
- (iv) a discount of approximately 25.9% to the theoretical closing price of HK\$0.27 per Consolidated Share, based on the closing price of HK\$0.054 per Share as quoted on the Stock Exchange on the Latest Practicable Date 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.

LETTER FROM THE BOARD

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;

LETTER FROM THE BOARD

- (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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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)

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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 at the Latest Practicable Date, Black Marble Securities does not hold any Shares. As Black Marble Securities is a wholly-owned subsidiary of the Company, it will not hold any Untaken Shares after completion of the Rights Issue. In discharging its obligation under the Underwriting Agreement, Black Marble Securities 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. As at the Latest Practicable Date, Black Marble Securities has entered into sub-underwriting agreements with six sub-underwriters for an aggregate sub-underwriting commitment of a maximum of Underwritten Shares being not less than 1,318,542,438 Rights

LETTER FROM THE BOARD

Shares (assuming no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date) and not more than 1,331,011,686 Rights Shares (assuming full exercise of all the outstanding and exercisable Share Options and no other issue of any Shares on or before the Record Date), representing the entire Black Marble's Underwriting Commitment. Each of the sub-underwriters and its respective ultimate beneficial owners (if applicable) is Independent Third Party. Each of the sub-underwriters has undertaken to Black Marble Securities that (i) it will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code in respect of performing its obligations under the sub-underwriting agreement; (ii) it will procure subscribers who are independent of the Company and its connected persons to take up such number of Rights Shares as may be necessary to ensure that the public float requirements under the Listing Rules are complied with; (iii) none of the persons to be procured by the sub-underwriter 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 Rights Issue; and (iv) will use its reasonable endeavours to ensure that the subscribers for the Untaken Shares are independent of and not connected with the Company and its connected persons and are not a party acting in concert with each other.

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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

Mr. Mak Undertaking

As at the Latest Practicable Date, 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 Prospectus Posting Date and in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) 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

LETTER FROM THE BOARD

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).

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

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.

LETTER FROM THE BOARD

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\$95.3 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\$289.3 million (excluding the funding needs of the Possible Acquisition (as defined below)) will have been utilized by the Group as follows: (i) approximately HK\$155 million was lent out to 9 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 Latest Practicable Date, 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 early September 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 July 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\$138.3 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.

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(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.

LETTER FROM THE BOARD

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 launched in September 2016.

LETTER FROM THE BOARD

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	<u>10%</u>
Total	<u><u>100%</u></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.

LETTER FROM THE BOARD

No definitive agreement had been entered into by the Company in respect of the investment for the Proposed Portfolio. Further, up to the Latest Practicable Date, 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 Latest Practicable Date, 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 August 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.

LETTER FROM THE BOARD

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 August 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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

(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 Latest Practicable Date, Black Marble Securities has an aggregate of approximately 500 clients, out of which approximately 240 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.

LETTER FROM THE BOARD

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 places 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.

LETTER FROM THE BOARD

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 Latest Practicable Date, 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 circular. 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 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 Latest Practicable Date 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.

LETTER FROM THE BOARD

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 Latest Practicable Date up to and including the Record Date:

Shareholders	As at the Latest Practicable Date		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	
	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	45,090,832	5.9	45,090,832	2.0	135,272,496	5.9
Mr. Mak (Note 2, 3)	660,000	0.017	132,000	0.017	217,072,320	9.4	396,000	0.017
Black Marble Securities and its associates, sub-underwriter(s) and subscriber(s) procured by the Underwriters (if any) (Note 3)	-	-	-	-	1,318,542,438	57.2	-	-
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
Total	3,838,706,896	100.00	767,741,379	100.00	2,303,224,137	100.00	2,303,224,137	100.00

LETTER FROM THE BOARD

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 Latest Practicable Date up to and including the Record Date:

Shareholders	As at the Latest Practicable Date		Immediately after the Outstanding Options are exercised in full and up to the Record Date		Upon completion of the Rights Issue						
					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		No. of Consolidated Shares		No. of Consolidated Shares		
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, 3)	660,000	0.017	660,000	0.017	132,000	0.017	217,072,320	9.3	396,000	0.017	
Holder 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	-	-	
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	
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 Rights 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.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Black Marble Securities does not hold any Shares. As Black Marble Securities is a wholly-owned subsidiary of the Company, it will not hold any Untaken Shares after completion of the Rights Issue. In discharging its obligation under the Underwriting Agreement, Black Marble Securities 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. As at the Latest Practicable Date, Black Marble Securities has entered into sub-underwriting agreements with six sub-underwriters for an aggregate sub-underwriting commitment of a maximum of Underwritten Shares being not less than 1,318,542,438 Rights Shares (assuming no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date) and not more than 1,331,011,686 Rights Shares (assuming full exercise of all the outstanding and exercisable Share Options and no other issue of any Shares on or before the Record Date), representing the entire Black Marble's Underwriting Commitment. Each of the sub-underwriters and its respective ultimate beneficial owners (if applicable) is Independent Third Party. Each of the sub-underwriters has undertaken to Black Marble Securities that (i) it will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code in respect of performing its obligations under the sub-underwriting agreement; (ii) it will procure subscribers who are independent of the Company and its connected persons to take up such number of Rights Shares as may be necessary to ensure that the public float requirements under the Listing Rules are complied with; (iii) none of the persons to be procured by the sub-underwriter 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 Rights Issue; and (iv) will use its reasonable endeavours to ensure that the subscribers for the Untaken Shares are independent of and not connected with the Company and its connected persons and are not a party acting in concert with each other.

As at the Latest Practicable Date, 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.

LETTER FROM THE BOARD

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 Latest Practicable Date. 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 Latest Practicable Date
14 August 2015	The Previous Open Offer	HK\$422 million	(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	(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.

LETTER FROM THE BOARD

- (a) 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 ex-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.

LETTER FROM THE BOARD

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 Latest Practicable Date, 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 Latest Practicable Date, the Company does not have any controlling Shareholder, whilst Mr. Huang and Mr. Mak, each being an executive Director, holds 225,454,160 Shares (representing approximately 5.9% of the existing issued share capital of the Company) and 660,000 Shares (representing approximately 0.017% of the existing issued share capital of the Company) 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 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.

LETTER FROM THE BOARD

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 among 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. As at the Latest Practicable Date, Mr. Mak holds 660,000 Shares while Black Marble Securities does not hold any Shares. 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.

LETTER FROM THE BOARD

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.

SPECIAL GENERAL MEETING

The SGM will be held at 9:00 a.m. on Friday, 12 August 2016 at Portion 2, 12/F., The Centre, 99 Queen's Road Central, Central, Hong Kong to consider, if thought fit, approving, among other things, the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the EA Absence. The resolution(s) to be put to vote at the SGM will be taken by way of poll in accordance with the Listing Rules.

The notice of SGM is set out on pages SGM-1 and SGM-4 in this circular and a form of proxy for use at the SGM is enclosed. If you are unable to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon together with any power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney to the office of the Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors after taking into account of the advice of Vinco Capital) are of the opinion that the Rights Issue and the EA Absence are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. The Directors also believe that the Share Consolidation and the Increase in Authorised Share Capital are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors after taking into account of the advice of Vinco Capital) recommend Shareholders to vote in favour of all resolutions to be proposed at the SGM.

LETTER FROM THE BOARD

Your attention is drawn to the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders set out on pages 44 and 45 of this circular and the letter from Vinco Capital containing its recommendation to the Independent Shareholders and the principal factors which it has considered in arriving at its recommendation with regard to the Rights Issue and the EA Absence, as set out on pages 46 to 73 of this circular.

OTHERS

Subject to, among other things, the Rights Issue and the EA Absence being approved by the Independent Shareholders at the SGM, the Prospectus Documents setting out details of the Rights Issue will be despatched to Qualifying Shareholders on the Prospectus Posting Date and the Prospectus will be despatched to the Non-Qualifying Shareholders for information only.

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Lerado Financial Group Company Limited

隆成金融集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1225)

27 July 2016

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO RIGHTS SHARES FOR EVERY ONE CONSOLIDATED
SHARE HELD ON THE RECORD DATE**

We refer to the circular of the Company to the Shareholders dated 27 July 2016 (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board as members to constitute the Independent Board Committee and to advise the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Rights Issue (including that the Rights Issue will be fully underwritten by the Underwriters) and the EA Absence and recommend whether or not the Independent Shareholders should vote on the resolution(s) to be proposed at the SGM to approve the Rights Issue (including that the Rights Issue will be fully underwritten by the Underwriters) and the EA Absence.

Grand Vinco Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue and the EA Absence are fair and reasonable as far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Shareholders as a whole.

Your attention is drawn to the “Letter from the Board” set out on pages 8 to 43 of the Circular and the “Letter from Vinco Capital” set out in pages 46 to 73 of the Circular to the Independent Board Committee and the Independent Shareholders which contains its advice in relation to the Rights Issue and the EA Absence.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the factors and reasons considered by, and the opinion of Vinco Capital as set out in the “Letter from Vinco Capital” in the Circular, we are of the opinion that the terms of the Rights Issue (including that the Rights Issue will be fully undertaken by the Underwriters) and the EA Absence are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Rights Issue and the EA Absence and the respective transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

The Independent Board Committee of

Lerado Financial Group Company Limited

Mr. Lam Chak Man Mr. Ye Jianxin Mr. Chern Shyh Feng Mr. Hsu Hong Te

Independent non-executive Directors

LETTER FROM VINCO CAPITAL

The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue and the EA Absence which has been prepared for the purpose of incorporation in this circular:



Grand Vinco Capital Limited
Units 4909-4910, 49/F., The Center
99 Queen's Road Central, Hong Kong

27 July 2016

To the Independent Board Committee and the Independent Shareholders of
Lerado Financial Group Company Limited

Dear Sirs,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR
EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE**

A. INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue and the EA Absence, details of which are set out in the "Letter from the Board" in the circular (the "**Circular**") issued by the Company to the Shareholders dated 27 July 2016 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the Announcement, in relation to, among other things, (i) the proposed Share Consolidation; (ii) the proposed Increase in Authorised Share Capital; (iii) the proposed Rights Issue and the EA Absence; and (iv) the exempt connected transaction in relation to Underwriting Agreement.

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 Latest Practicable Date, the Company does not have any controlling Shareholder, whilst Mr. Huang and Mr. Mak, each being an executive Director, holds 225,454,160 Shares (representing approximately 5.9% of the existing issued share capital of the Company) and

LETTER FROM VINCO CAPITAL

660,000 Shares (representing approximately 0.017% of the existing issued share capital of the Company) 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 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 among 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.

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. As at the Latest Practicable Date, Mr. Mak holds 660,000 Shares while Black Marble Securities does not hold any Shares. 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.

LETTER FROM VINCO CAPITAL

An Independent Board Committee, comprising Mr. Lam Chak Man, Mr. Ye Jianxin, Mr. Chern Shyh Feng and Mr. Hsu Hong Te, all being the independent non-executive Directors, has been appointed to make recommendations to the Independent Shareholders in respect of the Rights Issue. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of Rights Issue and the EA Absence. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the terms of the Rights Issue and the EA Absence are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole and whether the Independent Shareholders should vote in favour of the resolutions to be proposed at the SGM to approve the Right Issue and the EA Absence. We are not connected with the directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and therefore is considered suitable as defined under Rule 13.84 of the Listing Rules to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us in connection with this appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We have not acted as the independent financial adviser for the Company's other transactions or provided any other services to the Company in the past two years which may have an impact on our independence. Also, we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Rights Issue and the EA Absence.

B. BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions

LETTER FROM VINCO CAPITAL

expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

In formulating our opinion, we have not considered the taxation implications on Independent Shareholders in relation to the subscription for, holding or disposal of the Rights Shares, since these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effects on, or liabilities of any person resulting from the subscription for, holding or disposal of the Rights Issue. In particular, Independent Shareholders subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

We consider that we have reviewed all currently available information and documents (particularly, (i) board minutes approving the Rights Issue; (ii) the Underwriting Agreement; (iii) the historical financial information of the Company for the two years ended 31 December 2015; and (iv) market comparables listed on Stock Exchange in relation to rights issue, which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Rights Issue, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Rights Issue and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM VINCO CAPITAL

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Rights Issue, we have considered the principal factors and reasons set out below:

1. Background information of the Company

Principal Business

The Company is an investment holding company. The Group is principally engaged in providing financial services including securities broking, margin financing and money lending etc., as well as manufacturing and distributing children plastic toys and medical care products like mobility aid and other medical equipment.

Historical financial information

Set out below is a summary of the audited consolidated financial results of the Group for the two years ended 31 December 2015, as extracted from the 2015 Annual Report:

	For the year ended	
	31 December	
	2014	2015
	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	154,676	176,731
Profit/Loss for the year attributable to equity holders of the Company	(283,347)	588,114
	As at 31 December	
	2014	2015
	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total Asset	1,071,816	2,418,080
Total Liabilities	438,950	643,450
Net Assets	632,866	1,774,630

LETTER FROM VINCO CAPITAL

Audited consolidated statement of comprehensive income for the year ended 31 December 2015

For the year ended 31 December 2015, the Group recorded revenue of approximately HK\$176.7 million, representing an increase of approximately 14.2% as compared to approximately HK\$154.7 million as recorded in the previous year. Although the revenue from medical products and plastic toy has decreased by approximately HK\$37.8 million for the year ended 31 December 2015, the revenue of the Group still increased due to the new businesses carried out for the year ended 31 December 2015, of which the contribution from (i) the securities brokerage business was approximately HK\$35.3 million; (ii) the sales of garment accessories business was approximately HK\$23.4 million; and (iii) the money lending business was approximately HK\$1.1 million.

The Group recorded a profit for the year from continuing operations for approximately HK\$295.2 million, compared to loss for the year ended 31 December 2014 from continuing operations of approximately HK\$17.7 million. The improvement was mainly due to the record of other net gain of approximately HK\$377.5 million for the year, which was mainly contributed by the fair value changes in held-for-trading investments of approximately HK\$380.5 million, and the increase in gross profit by approximately HK\$24.6 million. The Group also recorded profit of approximately HK\$291.5 million from discontinued operation, compared to loss for the year ended 31 December 2014 from discontinued operation of approximately HK\$128.3 million, which was mainly attributable to the gain on disposal of subsidiaries.

Audited consolidated statement of financial position for the year ended 31 December 2015

As at 31 December 2015, the Group recorded total assets, total liabilities and equity attributable to owners of the Company of approximately HK\$2.4 billion, HK\$643.4 million and HK\$1.8 billion, respectively.

2. Reasons for the Rights Issue and proposed use of proceeds

As stated in the Letter from the Board, 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 2015 Annual Report, segment revenue of 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 the year ended 31 December 2015.

LETTER FROM VINCO CAPITAL

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 approximately 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\$95.3 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\$289.3 million (excluding the funding needs of the Possible Acquisition) will have been utilized by the Group as follows: (i) approximately HK\$155 million was lent out to 9 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 Latest Practicable Date, 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 early September 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 July 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 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.

LETTER FROM VINCO CAPITAL

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\$138.3 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, in which we are of the view that its beneficial to the Group in term of diversifying its income stream.

We have discussed with the management of the Group and reviewed the use of working capital of the Group as mentioned before, we concur with the Directors that the Group are in the genuine need for funding as the Group's cash and cash equivalent on hand will not be sufficient to satisfy its business operation and future development until the Group has obtained adequate funding.

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 such net proceeds from the Rights Issue in the following manner:

1. approximately HK\$150.0 million in aggregate for seed capital investment for the Proposed Portfolio 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;
2. approximately HK\$80.0 million for developing the finance lease business in the PRC; and
3. 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.

We noted that the vast majority (i.e. approximately 76.4%) of the estimated net proceeds will be utilized to invest in future development of the Group as mentioned above. In order to assess the fairness and reasonableness of investments in asset management business and finance lease business in the PRC, we have conducted our own desktop research related to those businesses as follows:

Regarding the Company's development of asset management business which aims to investing in the Hong Kong listed securities, according to the Hong Kong Trade Development Council's research on Fund Management Industry in Hong Kong dated 14 January 2016, Hong Kong is a major regional fund management centre with a large concentration of international fund managers in Asia. According to the SFC survey, around 71% of the investment funds (excluding real estate investment trusts) were sourced from

LETTER FROM VINCO CAPITAL

outside Hong Kong in 2014. Moreover, in July 2015, the combined fund management business in Hong Kong hit a record high of US\$2,267 billion as of end of 2014, up 10.5% year-on-year and asset management business accounted for 72%. Also, Hong Kong's fund management industry has developed a strong expertise of investing in Asia, in particular the Chinese mainland. Such expertise is vital to Hong Kong's appeal for attracting funds for management. According to the SFC survey, in 2014, 72.5% of the assets managed in Hong Kong were invested in the Asia-Pacific, amounting to HK\$4,974 billion, with HK\$3,503 billion in Hong Kong and the Chinese mainland, HK\$410 billion in Japan and HK\$1,061 billion in the rest of the Asia-Pacific respectively.

According to an article "Economic and Trade Information on Hong Kong" dated 1 June 2016 by Hong Kong Trade and Development Council, as at the end of December 2015, Hong Kong's stock market ranked the fourth largest in Asia and the eighth largest in the world in terms of market capitalisation. There were 1,866 companies listed on Hong Kong Stock Exchange, including 222 companies on the Growth Enterprise Market and the total market capitalisation of Hong Kong's stock market reached US\$3.16 trillion. Hong Kong is also the second largest private equity centre in Asia, managing about 19% of the total capital pool in the region as at end of 2014.

Regarding the development of finance lease business in the PRC, as stated in the report published by Mizuho Bank Ltd in September 2015, South China – Asia Business Report, stimulated by various promotional policies announced by the Free Trade Zones and other local governments since 2013, the leasing industry in China has recorded a remarkable growth and as of the end of June 2015, the outstanding balance of the leasing contracts in China amounted to approximately RMB 3.6 trillion, which is roughly five times the balance seen five years ago. By the first half of 2016, the country is expected to surpass the United States and become the world's top, in terms of the leasing volume. Furthermore, as the leasing business attracts more and more attention, there have been various new measures to promote the development of the leasing industry with respect to overall supervision and management, laws and regulations, taxation systems, and governmental measures to enhance the development in the industry. While the leasing industry in China is under development as a whole, more preferential treatments have been introduced in the Free Trade Zones in Guangdong Province, Shanghai and Tianjin as pilot and key areas.

Furthermore, we have reviewed (i) the Business Plan of Black Marble Asset Management Limited, including fund investment objectives, strategies, target investors, internal control policies, management structure, and (ii) the feasibility study report of the Shanghai Company, including its business model, revenue model, future prospects and industry analysis, risk analysis, management structure and staff, internal procedures, we are of the view that the Business Plan and the feasibility study report are fair and reasonable. As such, we are of the view that applying part of the estimated net proceeds for investment

LETTER FROM VINCO CAPITAL

in future development which may offer growth potentials to generate returns is in the ordinary course of business of the Group is in the interests of the Company and the Shareholders as a whole.

The remaining part of the estimated net proceeds (i.e. approximately 23.6%) is intended for general working capital of the Group. As discussed with the management of the Group, they intend to apply the remaining proceeds to different areas, including but not limited for financing the existing securities brokerage, margin financing and money-lending business of the Group. As stated in the Letter from the Board, 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. Given that (i) the Existing Financial Business has generated remarkable financial results for the Group for the year ended 31 December 2015 and (ii) the net proceeds are used for satisfying regulatory requirements from the SFC should the Group intends to expand the Existing Financial Business, we also concur with the Directors that it will be a merit for the Group to have additional funding for the aforesaid business development.

Take into consideration (i) the funding needs of the Group as stated above; (ii) recent development, performance and contribution of the Existing Financial Business; and (iii) Group's business strategies in pursuing further development in financial sector which render the needs for readily available funds, we are of the view that the intended utilization of the net proceeds from the Rights Issue is fair and reasonable and is in interests of the Company and Shareholders as a whole.

Financing alternatives

As stated in the Letter from the Board, after discussing with the management of the Group, we are given to understand that apart from the Rights Issue, the management of the Group had also considered other means of fund raising, including but not limited to placing of new Shares and debt financing.

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 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,

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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.

We note that debt financing and/or bank borrowings will incur interest burden and repayment obligations of the Group and may be subject to lengthy due diligence and negotiations as well as the pledge of assets by the Group.

Regarding to other means of equity financing, such as placement of Shares and open offer, we note that placing will only be available to certain placees who are not necessarily the existing Shareholders and will dilute the shareholding interests in the Company of the existing Shareholders. Although an open offer is similar to a rights issue, an open offer would not provide an additional option to those Qualifying Shareholders who do not wish to take up their allotments to sell their provisionally allotted nil-paid Rights Shares. Furthermore, those Qualifying Shareholders who wish to increase their shareholding interests in the Company cannot acquire additional nil-paid Rights Shares in the market in the case of an open offer. Therefore, we consider that (i) the Rights Issue, in fully underwritten, can remove a certain degree of uncertainty as compared to other equity fund raising exercises such as placing in best effort method and offer all the Qualifying Shareholders an equal opportunity to participate; (ii) the Rights Issue enables all Qualifying Shareholders to maintain their proportionate interests in the Company and avoid shareholding dilution; and (iii) the Shareholders who do not wish to participate in the fund raising of the Company can dispose of their Rights Shares provisional allotments in the market in nil-paid form.

As such, we consider that (i) the other means of equity financing other than the Rights Issue, (ii) debt financing and (iii) combination of equity and debt financing are not fair and reasonable to the Shareholder, hence, we are of the view that the Rights Issue is a suitable source of financing over the aforementioned alternatives.

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3. Principal terms of the Rights Issue

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
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 at the Latest Practicable Date, Black Marble Securities does not hold any Shares. As Black Marble Securities is a wholly-owned subsidiary of the Company, it will not hold any Untaken Shares after completion of the Rights Issue. In discharging its obligation under the Underwriting Agreement, Black Marble Securities 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. As at the Latest Practicable Date, Black Marble Securities has entered into sub-underwriting agreements with six sub-underwriters for an aggregate sub-underwriting commitment of a maximum of Underwritten Shares being not less than 1,318,542,438 Rights Shares (assuming no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date) and not more than

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1,331,011,686 Rights Shares (assuming full exercise of all the outstanding and exercisable Share Options and no other issue of any Shares on or before the Record Date), representing the entire Black Marble's Underwriting Commitment. Each of the sub-underwriters and its respective ultimate beneficial owners (if applicable) is Independent Third Party. Each of the sub-underwriters has undertaken to Black Marble Securities that (i) it will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code in respect of performing its obligations under the sub-underwriting agreement; (ii) it will procure subscribers who are independent of the Company and its connected persons to take up such number of Rights Shares as may be necessary to ensure that the public float requirements under the Listing Rules are complied with; (iii) none of the persons to be procured by the sub-underwriter 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 Rights Issue; and (iv) will use its reasonable endeavours to ensure that the subscribers for the Untaken Shares are independent of and not connected with the Company and its connected persons and are not a party acting in concert with each other.

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.

Mr. Mak Undertaking

As at the Latest Practicable Date, 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.

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Subscription Price

The Subscription Price of 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:

- (a) 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;
- (b) 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;
- (c) 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; and
- (d) a discount of approximately 25.9% to the theoretical closing price of HK\$0.27 per Consolidated Share, based on the closing price of HK\$0.054 per Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation.

As stated in the Letter from the Board, the Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to prevailing market price of the existing Share, the theoretical ex-entitlement price of the Consolidated Share. For further factors that the Company has considered in coming up with the current subscription ratio for the Rights Issue and the Subscription Price, please refer to section headed "Subscription Price" in the Letter from the Board.

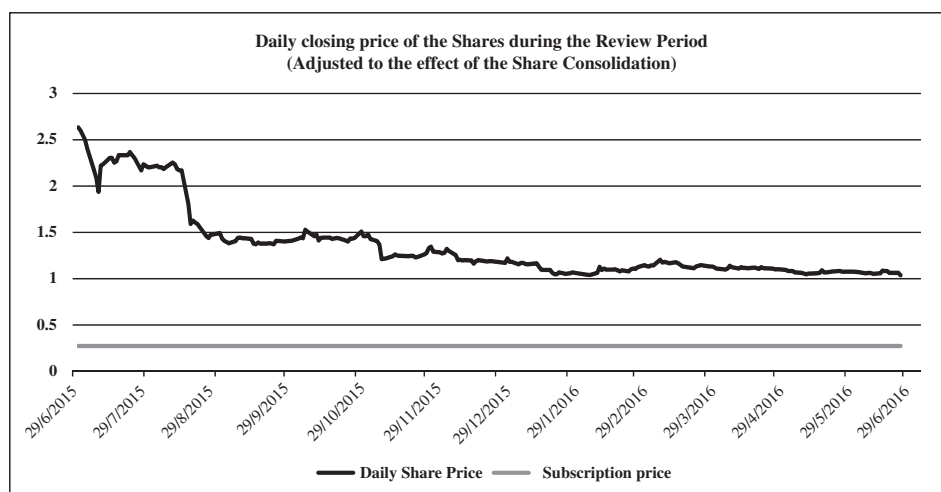
In view of the above, the Board considers the terms of the Rights Issue, including the Subscription Price which has been set as a discount to the theoretical closing price of the Consolidated Shares on the Last Trading Day with an objective to encourage existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole. The estimated net price per Rights Share after deducting the related expenses of the Rights Issue will be approximately HK\$0.196.

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In order to assess the fairness and reasonableness of the Subscription Price, we compared the Subscription Price with reference to (i) the recent price performance of the Shares (adjusted for the effect of the Share Consolidation) and trading liquidity of the Company; and (ii) the market comparables analysis, as follows:

Share prices and trading liquidity of the Company

We have reviewed the closing prices and the trading liquidity of the Shares during the twelve-month period from 29 June 2015, up to and including 29 June 2016, being the Last Trading Day, (the “**Review Period**”). Adjustment to the Share price has been made taking into account of assuming the Share Consolidation has been effective since the beginning of the Review Period.



Source: The Stock Exchange

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	Total volume of the Shares traded	Number of trading days	Average Daily Volume (Shares)	Number of issued Shares as at end of the period/ month (Shares)	Approximately % of average daily trading volume to the then total number of issued Shares as at end of the period/ month (Note 3)
2015					
June (Note 1)	13,527,800	2	6,763,900	3,838,706,896	0.18%
July	82,958,900	22	3,606,909	3,838,706,896	0.09%
August	134,665,200	21	6,412,629	3,838,706,896	0.17%
September	61,941,100	20	2,815,505	3,838,706,896	0.07%
October	284,988,000	20	12,954,000	3,838,706,896	0.34%
November	380,073,500	21	19,098,738	3,838,706,896	0.47%
December	579,336,000	22	25,188,522	3,838,706,896	0.66%
2016					
January	673,772,000	20	32,084,381	3,838,706,896	0.84%
February	209,594,000	18	9,980,667	3,838,706,896	0.26%
March	354,210,000	21	15,400,435	3,838,706,896	0.40%
April	133,458,000	20	6,355,143	3,838,706,896	0.17%
May	69,299,400	21	3,149,973	3,838,706,896	0.08%
June (Note 2)	93,606,000	20	4,457,429	3,838,706,896	0.12%

Source: The Stock Exchange

Notes:

1. The Review Period commenced on 29 June 2015.
2. The Review Period ended on 29 June 2016.
3. Based on the total number of issued Shares as at end of the period/month.

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For illustrative purpose, we have adjusted the closing price of the Share and assumed that the Share Consolidation take effect from the beginning of the Review Period. As shown in the chart above, the daily closing price of the Shares during the Review Period ranged from the lowest of HK\$0.55 per Share on 29 June 2016 to the highest of HK\$2.65 per Share on 29 June 2015. The average closing price of Shares within the Review Period was approximately HK\$0.961 per Share, and the Subscription Price represents a discount of approximately 480.6% to the average closing price of Shares within the Review Period. The Subscription Price represents a discount to the closing price of the Shares throughout the Review Period and to the average closing price of Shares. We noted that the Share price substantially decreased during the Review Period.

Regarding the liquidity of the Shares, as shown in the table above, the highest average daily volume was approximately 32.1 million Shares in January 2016, representing approximately 0.84% of the total number of Shares as at Latest Practicable Date. After our discussion with the management of the Company, the increase in trading liquidity of the Shares might be due to the announcement stating that the Group is expected to record unrealized fair value gains on equity investments at fair value through profit or loss of approximately HK\$388 million for the year ended 31 December 2015. We also notice that during the Review Period, the trading liquidity of the Shares were very thin from June 2015 to June 2016, with less than 1% to the then total number of issued Shares as at the end of the period/month.

As discussed section headed “Comparison with other rights issues” below, we noted that it is a common market practice that, in order to enhance the attractiveness of rights issue to existing shareholders, the subscription price represents a discount to the prevailing market prices of the relevant shares. As such, we consider that the setting of the Subscription Price at a discount to the closing price of the Shares (adjusted by taking into effect of the Share Consolidation) at the last trading date prior to the rights issue announcement and the Latest Practicable Date is in line with general market practice.

Comparison with other rights issues

To further assess the fairness and reasonableness of the Rights Issue, we have selected and identified a list of 18 rights issues conducted by companies (the “**Comparables**”) listed on the Stock Exchange for the six months period from 29 December 2015 up to 29 June 2016 (the “**Comparable Period**”), which is considered to be exhaustive, for comparison purpose. We are of the view that the Comparable Period would provide us with the recent relevant information on the market sentiment, which plays an important role in the determination of the subscription price of a rights issue in general. We also noted that the business activities of the Comparables are not directly comparable to those carried out by the Group and the terms of the rights issue

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of the Comparables may vary from companies with different financial standings, business performance and future prospects. Since the Comparables are the recent transactions announced to the public, we consider that the Comparables could represent the recent trend of the rights issue transactions in the prevailing market condition and could provide a general reference for the terms of the Rights Issue. Our relevant findings are summarised in the table below:

Date of Announcement	Company	Stock Code	Basis of provisional allotment	Premium/ (Discount) of subscription price to/over the closing price on the last trading date prior to the release of the rights issue announcement (Approximate %)	Premium/ (Discount) of subscription price to/over the theoretical ex- entitlement price on the last trading date prior to the release of the rights issue announcement (Approximate %)	Underwriting Commission (%)
08/01/2016	China Hongqiao Group Limited	1378	1 for 7	–	–	(not entitled)
25/01/2016	China Oceanwide Holdings Limited	715	1 for 2	–	–	(not entitled)
29/01/2016	CMMB Vision Holdings Limited	471	1 for 1	9.9	57.1	3.0
05/02/2016	Synertone Communication Corporation	1613	1 for 1	(67.1)	(50.5)	HK\$1
09/03/2016	Hanny Holdings Limited	275	8 for 1	(68.8)	(19.6)	3.0
13/3/2016	Winsway Enterprises Holdings Limited	1733	3 rights shares and 9 anti- dilution shares for 1 consolidated share	(76.0)	(44.0)	(not entitled)
17/03/2016	Chuang's China Investments Limited	298	1 for 2	(34.1)	(25.7)	2.5
24/3/2016	Ngai Shun Holdings Limited	1246	11 for 2	(58.8)	(18)	2.5
29/3/2016	Glorious Sun Enterprises Limited	393	1 for 2	(11.8)	(8.2)	(HK\$100,000)
18/4/2016	Pacific Basin Shipping Limited	2343	1 for 1	(58.3)	(41.2)	2.5

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Date of Announcement	Company	Stock Code	Basis of provisional allotment	Premium/ (Discount) of subscription price to/over the closing price on the last trading date prior to the release of the rights issue announcement (Approximate %)	Premium/ (Discount) of subscription price to/over the theoretical ex- entitlement price on the last trading date prior to the release of the rights issue announcement (Approximate %)	Underwriting Commission (%)
20/4/2016	South China Financial Holdings Limited	619	1 for 1	(58.2)	(41.1)	2.0
21/4/2016	Huge China Holdings Limited	428	1 for 1	(15.3)	(8.3)	2.0
11/5/2016	Time2U International Holding Limited	1327	2 for 1	(49.1)	(24.3)	1.5
23/05/2016	Unity Investment Holdings Limited	913	2 for 1	(25.4)	(10.1)	1.5
24/05/2016	China Properties Investment Holdings Limited	736	4 for 1	(42.2)	(13.0)	2.5
26/05/2016	Petro-King Oilfield Services Limited	2178	3 for 10	(40.4)	(34.3)	1.5
03/06/2016	China Singyes Solar Technologies Holdings Limited	750	1 for 5	(11.0)	(9.3)	Fixed Sum of HK\$4.6 million
08/06/2016	Xiao Nan Guo Restaurants Holdings Limited	3666	1 for 2	(18.0)	(12.8)	2.0
			Maximum	9.9	57.1	3.0
			Minimum	(76.0)	(50.5)	1.5
			Mean	(39.0)	(18.9)	2.21
	The Company	1225		(63.6)	(36.9)	1.5

Source: The Stock Exchange

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Based on the above table, we noted that (i) the subscription prices to the closing price on the last trading day prior to the rights issue announcement of the Comparables ranged from a premium of approximately 9.9% to a discount of approximately 76%, with the mean at discount of approximately 39.0%. The discount of the Subscription Price of the Rights Issue to the closing price of the Consolidated Shares on the Last Trading Day and adjusted for the effect of the Share Consolidation is approximately 63.6%, which is within the range of the Comparables and higher than the mean of the Comparables; and (ii) the subscription prices to the theoretical ex-entitlement prices per share based on the last trading day prior to the rights issue announcement of the Comparables ranged from a premium of approximately 57.1% to a discount of approximately 50.5%, with the mean at a discount of approximately 18.9%. The discount of the Subscription Price of the Rights Issue to the theoretical ex-entitlement price per Consolidated Share is approximately 36.9%, which is within the range of the Comparables and higher than the mean of the Comparables.

Having considered that (i) the section headed in “Reasons for the Rights Issue and proposed use of proceeds”; (ii) the discount represented by the Subscription Price to the closing price of the Consolidated Shares on the Last Trading Day (adjusted for the effect of the Share Consolidation) falls within the relevant range of the Comparables; (iii) the discount represented by the Subscription Price to the theoretical ex-entitlement price of the Consolidated Shares on the Last Trading Day (adjusted for the effect of the Share Consolidation) falls within the relevant range of the Comparables; (iv) the common practice by the Comparables to set their rights issue at a discount to the prevailing market prices of the relevant shares before the relevant announcements; (v) all Qualifying Shareholders allows to maintain their respective pro rata shareholding in the Company and to participate in the future growth and development of the Group; (vi) it is common for the listed issuers in Hong Kong to offer large discount on the subscription prices to the shareholders in order to increase the attractiveness of a rights issue exercise; (vii) 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; (viii) the recent volatile market sentiment partly due to the exit of United Kingdom from the European Nation; and (iv) the possibility of participating in the future benefits which may be brought by the Group by bringing in new businesses and strengthening the existing business, we are of the view that the discount of the Subscription Price is fair and reasonable, and thus is in the interests of the Company and the Shareholders as a whole.

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4. EA Absence

As stated in the Letter from the Board, 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 Underwriter.

As stated in the Letter from the Board, 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. 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.

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After taking into account of (i) the EA Absence is able to lower the related administration costs in the absence of excess applications in midst of the Group's loss making operation; (ii) the Rights Issue allows the Qualifying Shareholders to maintain their respective pro rata shareholding; (iii) Mr. Mak, being interested under the EA Absence, is required to abstain from voting in favour of the Rights Issue and the EA Absence at the SGM; and (iv) the absence of excess application arrangement for the Rights Issue is subject to approval by the Independent Shareholders at the SGM, we are of the view that such arrangement is fair and reasonable to the Company and the Shareholders.

5. Underwriting Agreement

We have reviewed the Underwriting Agreement, we noted that the Company will pay the Underwriter an underwriting commission of 1.5% of the aggregate Subscription Price in respect of the maximum number of the underwritten Rights Shares agreed to be underwritten by the Underwriters as determined on the Record Date. The commission rate was determined after arm's length negotiation between the Company and the Underwriters by reference to the market rate, the size of the Rights Issue and the current and expected market condition.

With reference to the above paragraph headed "Comparison with other rights issue", the underwriting commission of the Comparables ranged from 1.5% to 3.0% with a mean of approximately 2.2%. On this basis, we noted the underwriting commission under the Underwriting Agreement is lower than the mean and falls within the range of the commission of the Comparables. As such, we are of the view that the commission charged by the Underwriters is under normal commercial terms and is fair and reasonable so far as the Company and the Shareholders are concerned.

6. Termination of the Underwriting Agreement

It should also be noted that the Rights Issue would not proceed if the Underwriter exercises their termination rights under the Underwriting Agreement. Details of the provisions granting the Underwriter such termination rights are included in the Circular section headed "Termination of the Underwriting Agreement". After reviewing the announcement and/or the circulars of the Comparables, we consider such provisions are on normal commercial terms and in line with the market practice.

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7. Dilution effects of the Rights Issue on shareholding interests

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 Latest Practicable Date up to and including the Record Date:

Shareholders	As at the Latest Practicable Date		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	
	Approximate		Approximate		No of Consolidated		No of Consolidated	
	No of Shares	%	No of Shares	%	Shares	%	Shares	%
Directors								
Mr Huang (Note 1)	225,454,160	5.9	45,090,832	5.9	45,090,832	2.0	135,272,496	5.9
Mr Mak (Note 2 and 3)	660,000	0.017	132,000	0.017	217,072,320	9.4	396,000	0.017
Black Marble Securities and its associates, sub-underwriter(s) and subscriber(s) procured by the Underwriters (if any) (Note3)	-	-	-	-	1,318,542,438	57.2	-	-
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
Total	3,838,706,896	100.00	767,741,379	100.00	2,303,224,137	100.00	2,303,224,137	100.00

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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 Latest Practicable Date up to and including the Record Date:

Shareholders	Upon completion of the Rights Issue									
	As at the Latest Practicable Date		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 Consolidated Shares	Approximate %	No of Consolidated Shares	Approximate %	No of Consolidated Shares	Approximate %
	No of Shares	%	No of Shares	%	No of Shares	%	No of Shares	%	No of Shares	%
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 and 3)	660,000	0.017	660,000	0.017	132,000	0.017	217,072,320	9.3	396,000	0.017
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 associates, sub- underwriter(s) and subscriber(s) procured by the Underwriters (if any) (Note3)	-	-	-	-	-	-	1,331,011,686	57.3	-	-
Other public Shareholders	<u>3,612,592,736</u>	<u>94.1</u>	<u>3,612,592,736</u>	<u>93.4</u>	<u>722,518,547</u>	<u>93.4</u>	<u>722,518,547</u>	<u>31.1</u>	<u>2,167,555,641</u>	<u>93.4</u>
Total	<u>3,838,706,896</u>	<u>100.0</u>	<u>3,869,880,016</u>	<u>100.0</u>	<u>773,976,003</u>	<u>100.0</u>	<u>2,321,928,009</u>	<u>100.0</u>	<u>2,321,928,009</u>	<u>100.0</u>

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

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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 Latest Practicable Date, Black Marble Securities does not hold any Shares. As Black Marble Securities is a wholly-owned subsidiary of the Company, it will not hold any Untaken Shares after completion of the Rights Issue. In discharging its obligation under the Underwriting Agreement, Black Marble Securities 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. As at the Latest Practicable Date, Black Marble Securities has entered into sub-underwriting agreements with six sub-underwriters for an aggregate sub-underwriting commitment of a maximum of Underwritten Shares being not less than 1,318,542,438 Rights Shares (assuming no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date) and not more than 1,331,011,686 Rights Shares (assuming full exercise of all the outstanding and exercisable Share Options and no other issue of any Shares on or before the Record Date), representing the entire Black Marble's Underwriting Commitment. Each of the sub-underwriters and its respective ultimate beneficial owners (if applicable) is Independent Third Party. Each of the sub-underwriters has undertaken to Black Marble Securities that (i) it will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code in respect of performing its obligations under the sub-underwriting agreement; (ii) it will procure subscribers who are independent of the Company and its connected persons to take up such number of Rights Shares as may be necessary to ensure that the public float requirements under the Listing Rules are complied with; (iii) none of the persons to be procured by the sub-underwriter 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 Rights Issue; and (iv) will use its reasonable endeavours to ensure that the subscribers for the Untaken Shares are independent of and not connected with the Company and its connected persons and are not a party acting in concert with each other.

As at the Latest Practicable Date, 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.

The Independent Shareholders who are Qualifying Shareholders should note that their shareholdings in the Company will be diluted if Qualifying Shareholders do not take up in full the Rights Shares to which they are entitled. 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 Latest Practicable Date 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%.

Having considered that (i) the intended use of proceeds from the Rights Issue will strengthen the Group's Existing Financial Business and facilitate the development of new businesses which could enhance the Group's income stream; (ii) lower

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Subscription Price which represents discount to the Last Trading Day and to the theoretical ex-entitlement price may likely to attract the Qualifying Shareholders to participate in the Rights Issue; (iii) the inherent dilutive nature of rights issue is a general market practice; and (iv) the Rights Issue is on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company, we are of the view that the potential dilution effect on the shareholding is fair and reasonable to the Shareholders and is not prejudicial to the Shareholders' interests in the Company if they choose to subscribe for their full entitlement of the Rights Shares under the Rights Issue.

8. Financial effects of the Rights Issue

(a) Net assets value

With reference to the unaudited pro forma financial information of the Group as set out in Appendix II – Unaudited Pro Forma Financial Information of the Group to the Circular, the unaudited adjusted consolidated net tangible assets of the Group attributable to the owners of the Company was approximately HK\$1.73 billion as at 31 December 2015. After taking into account the net proceeds from the Rights Issue based on 1,535,482,758 Rights Shares, the unaudited adjusted pro forma consolidated net tangible assets of the Group attributable to the owners of the Company will raised to approximately HK\$2.03 billion.

The unaudited adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2015 per Consolidated Share before Rights Issue was HK\$2.26. Assuming the Share Consolidation becomes effective as at 31 December 2015 and no exercise of share options, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2015 per Consolidated Share immediately after the Rights Issue and Share Consolidation based on the aggregate of 767,741,379 Consolidated Shares in issue and 1,535,482,758 Rights Shares was HK\$0.88, representing a dilution effect of approximately 61.1%.

(b) Working capital

With reference to the 2015 Annual Report, the audited net current assets of the Group was approximately HK\$1.54 billion as at 31 December 2015. Immediately after completion of the Rights Issue, the net current assets of the Group would increase by approximately HK\$301 million. In this regard, we are of the view that the Rights Issue will improve the liquidity position of the Group.

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Based on the foregoing, although the adjusted unaudited net tangible assets value per Share of the Group will be diminished, the Rights Issue will enhance the net assets value of the Group and improve the liquidity position of the Group. Hence, we are of the view that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

As discussed in the above section headed “EA Absence”, “Underwriting Agreement” and “Termination of the Underwriting Agreement”, we are of the view that the terms of the Underwriting Agreement including the commission rate, conditions of the Underwriting Agreement and the conditions for termination of the Underwriting Agreement are in line with the recent market practice, are on normal commercial terms and are fair and reasonable to the Company and the Shareholders as a whole.

In addition, Independent Shareholders should note that if all the Qualifying Shareholders decide to subscribe for their full provisional allotment entitlements of the Rights Shares, the Underwriter will not be subject to the allotment and issue of the Rights Shares in accordance with the Underwriting Agreement. Furthermore, as discussed above, the Rights Issue will (i) replenish the capital base, net assets value of the Group and enhance the financial position of the Company; and (ii) allow 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, we consider that the terms of the Rights Issue are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

D. CONCLUSION

Having taken into consideration of the following principal factors and reasons regarding the major terms of the Rights Issue including:

- (a) the intended use of proceeds from the Rights Issue will strengthen the Group’s Existing Financial Business and facilitate the development of the new asset management and finance lease businesses which could enhance the Group’s income stream;
- (b) the Rights Issue would be a preferred method of equity financing as it will allow all the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future growth and development of the Company;
- (c) the discounts of Subscription Price falls within the range of premium/discount of the subscription price of the Comparables;

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- (d) the major terms and conditions of the Underwriting Agreement are in line with the market practice;
- (e) the EA Absence is able to lower the related administration costs in the absence of excess applications;
- (f) the dilution effect is not prejudicial to the Independent Shareholders' interests in the Company if they choose to subscribe for their full entitlement of the Rights Shares under the Rights Issue; and
- (g) the Rights Issue will enhance the net assets value of the Group and improve the liquidity position of the Group;

we are of the view that the terms of the Rights Issue and the EA Absence are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Rights Issue and the EA Absence.

Yours faithfully,

For and on behalf of

Grand Vinco Capital Limited

Alister Chung

Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Grand Vinco Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

1. SUMMARY OF FINANCIAL INFORMATION

The financial information of the Group for each of the three financial years ended 31 December 2013, 2014, 2015 were disclosed in the annual reports of the Company for the years ended 31 December 2013 (pages 30 to 99), 2014 (pages 28 to 97) and 2015 (pages 31 to 121). The aforementioned financial information of the Group has been published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<http://www.lerado.com/>). Please refer to the hyperlinks as stated below:

2013 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0321/LTN201403211022.pdf>

2014 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0428/LTN201504281543.pdf>

2015 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0427/LTN20160427720.pdf>

2. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES AS AT 30 JUNE 2016**Unlisted bonds, bank borrowings and bank overdrafts**

At the close of business on 30 June 2016, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this Circular, the Group had aggregate outstanding borrowings comprising (i) unsecured bonds of approximately HK\$113.7 million; (ii) bank borrowings of approximately HK\$6,047,000 (of which HK\$4,878,000 are secured by a property of the Group and properties provided by a director of a subsidiary. The entire bank borrowings are guaranteed by either personal guarantee provided by a director of a subsidiary or The Government of the Hong Kong Special Administrative Region; and (iii) bank overdrafts of approximately HK\$4,969,000, the entire amount are secured by a property of the Group and properties provided by a director of a subsidiary and are guaranteed by personal guarantee provided by a director of a subsidiary.

Authorised but unissued bond

The Company has issued unsecured bonds of approximately HK\$113.7 million. The issued bond was pursuant to the placing agreement as stated in the announcement dated 29 January 2016, that the placing agent on a best effort basis to arrange placees to subscribe for the eighth-year 6% coupon unlisted bond with an aggregate principal amount of up to HK\$200 million for a period of 12 months from the date of the placing agreement. The unissued bond pursuant to the placing agreement as at 30 June 2016 was approximately HK\$86.3 million.

Contingent Liabilities

As at 30 June 2016, the Company and its subsidiaries, together with certain subsidiaries, which were disposed upon the disposal of the Group's juvenile and infant products business in October 2014 (the "**Disposed Subsidiaries**"), are in litigations with two independent third parties. The Company entered into the sale and purchase agreement pursuant to which the subsidiary of the Company agrees to indemnify the Buyer against all losses and claims incurred by the Disposed Subsidiaries in connection with the two litigations described below.

- (i) During the year ended 31 December 2013, the Company, a wholly-owned subsidiary and certain Disposed Subsidiaries have been named as defendants in a United States District Court action in respect of an alleged breach of contractual undertakings for an amount of US\$2,222,000 (equivalents to HK\$17,333,000). The next trial date has not been set. The directors of the Company, after considering that this litigation is in its early stage and the outcome of the proceedings is uncertain, are of the opinion that no provision for any potential liability should be made in these consolidated financial statements.
- (ii) During the year ended 31 December 2014, the Company, two of its wholly-owned subsidiaries and two of the Disposed Subsidiaries have been named as joint defendants together with, among others, Baby Trend, Inc. in a United States District Court on the alleged faulty design in a car seat manufactured by the Company under the contract for Baby Trend, Inc. The next trial date has been set on 28 February 2017. The directors of the Company, after considering that this litigation is in its early stage and the outcome of the proceedings is uncertain, are of the opinion that no provision for any potential liability should be made in these consolidated financial statements.

Save as aforesaid or otherwise mentioned herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, the Group did not have any other outstanding borrowings, mortgages, charges, debentures, loan capital, bank overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities at the close of business on 30 June 2016.

Subsequent Changes of Indebtedness

The Directors confirm that there has been no material change in the indebtedness and contingent liabilities of the Group since 30 June 2016 up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the existing cash and bank balances, present internal resources available, external credit facilities and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements and for at least 12 months from the date of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group was made up.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Previous Open Offer aimed to expand the financial business sector of the Group. Since the Previous Open Offer, Black Marble Securities has been actively participated in the securities market as underwriter and placing agent for Hong Kong listed companies and targets to keep enlarging its customer base. In addition, Black Marble Capital Limited has endeavoured to develop and expand the money lending business in Hong Kong.

The Directors believe that by taking a proactive approach in developing the financial business sector of the Group will generate promising returns to the Shareholders in the future.

Going forward, with a view to achieving 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, including but not limited to providing corporate finance, asset management, financial planning services, which can leverage with the Group's existing financial sectors and aim at extending its financial businesses to the market of Mainland China. As such, the Company intends to invest seed capital for establishing funds and is in the process of applying for a license for carrying out the Type 9 (Asset Management) regulated activity under the SFO. The Company is also planning to apply for the Type 6 (Advising on Corporate finance) license as well. Meanwhile, The Directors will also look for potential investment opportunities to diversify its business scope.

I. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The unaudited pro forma statement of consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of the Group attributable to the owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group attributable to the owners of the Company as if the Share Consolidation and the Rights Issue had been completed on 31 December 2015 and taking into account certain assumptions. The Unaudited Pro Forma Financial Information of the Group has been prepared for illustration purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company immediately had the Share Consolidation and the Rights Issue been completed as at 31 December 2015 or at any future date.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the audited consolidated net assets of the Group attributable to the owners of the Company at 31 December 2015, as extracted from the published annual report of the Group for the year ended 31 December 2015 and the adjustments described below.

Audited consolidated net assets of the Group attributable to the owners of the Company as at 31 December 2015	Adjustment for goodwill of the Group attributable to the owners of the Company as at 31 December 2015	Unaudited adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2015	Estimated net proceeds from the Rights Issue based on 1,535,482,758 Rights Shares	Unaudited adjusted pro forma consolidated net tangible assets of the Group attributable to the owners of the Company after the Rights Issue based on 1,535,482,758 Rights Shares	Estimated net proceeds from the Rights Issue based on 1,547,952,006 Rights Shares	Unaudited adjusted pro forma consolidated net tangible assets of the Group attributable to the owners of the Company after the Rights Issue based on 1,547,952,006 Rights Shares
HK\$'000 (note i)	HK\$'000 (note ii)	HK\$'000 (A)	HK\$'000 (note iii) (B)	HK\$'000 (A) + (B)	HK\$'000 (note iv) (C)	HK\$'000 (A) + (C)
1,774,721	42,918	1,731,803	300,993	2,032,796	303,449	2,035,252

HK\$

Unaudited adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2015 per Consolidated Share before Rights Issue (Note v) 2.26

Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2015 immediately after the Rights Issue and Share Consolidation

– based on the aggregate of 767,741,379 Consolidated Shares in issue (assuming the Share Consolidation becomes effective as at 31 December 2015 and no exercise of share options) and 1,535,482,758 Rights Shares (Note vi) 0.88

– based on the aggregate of 773,976,003 Consolidated Shares in issue (assuming the Share Consolidation becomes effective as at 31 December 2015 and full exercise of share options) as at 31 December 2015 and 1,547,952,006 Rights Shares (Note vii) 0.88

Notes:

- i The audited consolidated net assets of the Group attributable to the owners of the Company as at 31 December 2015 is extracted from the published annual report for the year ended 31 December 2015.
- ii The Group's goodwill are arose from past acquisition of subsidiaries of approximately HK\$42,918,000 which are extracted from the published annual report year ended 31 December 2015, of which 100% of the goodwill were attributable to owners of the Company.
- iii The estimated net proceeds from the Rights Issue are based on the issuance of 1,535,482,758 Rights Shares (representing 767,741,379 Consolidated Shares in issue as at 31 December 2015 assuming the Share Consolidation becomes effective and no Outstanding Options are exercised as at 31 December 2015 and adjusting on the basis of 2 Rights Shares for every 1 Consolidated Share held) at a subscription price of HK\$0.20 per Rights Share, after deduction of the estimated expenses attributable to the Rights Issue of approximately HK\$6,104,000 and the differences attributable to rounding.
- iv The estimated net proceeds from the Rights Issue are based on the issuance of 1,547,952,006 Rights Shares (representing 767,741,379 Consolidated Shares in issue as at 31 December 2015 and assuming the Share Consolidation becomes effective on 31 December 2015 and all outstanding options as at 31 December 2015 were fully exercised and are consolidated on the same basis as at 31 December 2015 on the basis of 2 Rights Shares for every 1 Consolidated Share held) at a subscription price of HK\$0.20 per Rights Share, after deduction of the estimated expenses attributable to the Rights Issue of approximately HK\$6,141,000.

The net proceeds from full exercise of all the Outstanding Share Options of 6,234,624 Consolidated Shares has not been reflected in the net proceeds from the Rights Issue, as set out in the above table.
- v The calculation of the unaudited adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2015 before the Rights Issue per Consolidated Share is determined based on the unaudited adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2015 of approximately HK\$1,731,803,000, divided by the number of Consolidated Shares in issue, i.e. 767,741,379 Consolidated Shares.
- vi The calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2015 immediately after the Rights Issue per Consolidated Share is determined based on unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company after the Rights Issue of approximately HK\$2,032,796,000, being the aggregate of HK\$1,731,803,000 and HK\$300,993,000 (see Note (iii)), divided by 2,303,224,137 Consolidated Shares which represents the sum of 767,741,379 Consolidated Shares in issue (assuming the Share Consolidation becomes effective and no Outstanding Options are exercised) as at 31 December 2015 and 1,535,482,758 Rights Shares (See Note (iii)).
- vii The calculation of the unaudited adjusted pro forma consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2015 immediately after the Rights Issue per Consolidated Share is determined based on unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company after the Rights Issue of approximately HK\$2,035,252,000, being the aggregate of HK\$1,731,803,000 and HK\$303,449,000 (see Note (iv)), divided by 2,321,928,009 Consolidated Shares which represents the sum of 773,976,003 Consolidated Shares in issue (assuming the Share Consolidation becomes effective on 31 December 2015 and full exercise of share options) as at 31 December 2015, and 1,547,952,006 Rights Shares (See Note (iv)).
- viii No adjustment has been made to reflect any trading results or other transactions of the Group subsequent to 31 December 2015.

**II. ACCOUNTANTS' ASSURANCE REPORT ON UNAUDITED PRO FORMA
FINANCIAL INFORMATION OF THE GROUP****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF LERADO FINANCIAL GROUP COMPANY LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Lerado Financial Group Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2015 and related notes as set out on pages II-1 to II-2 of the circular issued by the Company dated 27 July 2016 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed 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 (the "Rights Issue") on the basis of two rights shares for every one Consolidated Share held on the Record Date (as defined in the Circular) on the Group's consolidated net tangible assets attributable to the owners of the Company as at 31 December 2015 as if the Rights Issue had taken place at 31 December 2015. As part of this process, information about the Group's consolidated net tangible assets attributable to the owners of the Company has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2015, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong,
27 July 2016

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately following the Share Consolidation and Increase in Authorised Share Capital becoming effective but before completion of the Rights Issue (assuming that there is no change in the issued share capital of the Company other than the Share Consolidation from the Latest Practicable Date up to the effective date of the Share Consolidation); (iii) immediately following the Share Consolidation and Increase in Authorised Share Capital becoming effective and the completion of the Rights Issue (assuming that there is no change in the issued share capital of the Company other than the Share Consolidation from the Latest Practicable Date up to the Record Date) and (iv) immediately following completion of the Rights Issue (assuming that there is no change in the issued share capital of the Company other than the Share Consolidation and all Outstanding Options being exercised in full from the Latest Practicable Date up to the Record Date).

(i) As at the Latest Practicable Date

<i>Authorised:</i>	<i>HK\$</i>
<u>10,000,000,000</u> Shares of HK\$0.10 each	<u>1,000,000,000.00</u>
<i>Issued and fully paid or credited as fully paid:</i>	<i>HK\$</i>
<u>3,838,706,896</u> Shares of HK\$0.10 each	<u>383,870,689.60</u>

- (ii) **Immediately following the Share Consolidation and Increase in Authorised Share Capital becoming effective but before completion of the Rights Issue (assuming that there is no change in the issued share capital of the Company other than the Share Consolidation from the Latest Practicable Date up to the effective date of the Share Consolidation)**

Authorised: *HK\$*

<u>10,000,000,000</u>	Consolidated Shares of HK\$0.5 each	<u>5,000,000,000.00</u>
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Issued and fully paid or credited as fully paid: *HK\$*

<u>767,741,379</u>	Consolidated Shares of HK\$0.5 each	<u>383,870,689.50</u>
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- (iii) **Immediately following the Share Consolidation, Increase in Authorised Share Capital and completion of the Rights Issue (assuming that there is no change in the issued share capital of the Company other than the Share Consolidation from the Latest Practicable Date up to the Record Date)**

Authorised: *HK\$*

<u>10,000,000,000</u>	Consolidated Shares of HK\$0.5 each	<u>5,000,000,000.00</u>
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Issued and fully paid or credited as fully paid: *HK\$*

	Consolidated Shares of HK\$0.5 each in issue immediately after the Shares Consolidation becoming effective	383,870,689.50
<u>767,741,379</u>		
<u>1,535,482,758</u>	Rights Shares to be issued	<u>767,741,379.00</u>
<u>2,303,224,137</u>	Total	<u>1,151,612,068.50</u>

- (iv) Immediately following completion of the Rights Issue (assuming that there is no change in the issued share capital of the Company other than the Share Consolidation and all Outstanding Options being exercised in full from the Latest Practicable Date up to the Record Date)

Authorised: *HK\$*

<u>10,000,000,000</u>	Consolidated Shares of HK\$0.5 each	<u>5,000,000,000.00</u>
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Issued and fully paid or credited as fully paid: *HK\$*

	Consolidated Shares of HK\$0.5 in issue immediately after the Shares Consolidation becoming effective	383,870,689.50
767,741,379		

	Consolidated Shares to be allotted and issued upon exercise of the Outstanding Options in full	3,117,312.00
6,234,624		

<u>1,547,952,006</u>	Rights Shares to be issued	<u>773,976,003.00</u>
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<u>2,321,928,009</u>	Total	<u>1,160,964,004.50</u>
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As at the Latest Practicable Date, save for the Outstanding Options, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares or Consolidated Shares.

Share Options

As at the Latest Practicable Date, there were 31,173,120 Outstanding Options granted by the Company under the Share Option Schemes to the eligible participants thereof at the consideration of HK\$1 per grant to each holder of the Outstanding Options. The holders of the Outstanding Options were employees and consultants of the Group who were eligible participants of the Share Option Schemes. Among the Outstanding Options, 69,120 were fall to be allotted and issued at the exercise price of HK\$0.668 per Share whereas 31,104,000 were fall to be allotted and issued at the exercise price of HK\$0.514 per Share. The exercise prices of the Outstanding Options and/or the number of Shares fall to be allotted and issued upon full exercise thereof may be subject to further adjustment as a result of the Share Consolidation and/or the Rights Issue. Details of the Outstanding Options as at the Latest Practicable Date were as follows:

Options granted to	Date of grant	Subscription price per Share	Exercise period	Number of Shares issuable upon exercise in full of the Share Options
Employees	18 January 2012	HK\$0.668	18 January 2013 – 17 January 2017	34,560
Employees	18 January 2012	HK\$0.668	18 January 2014 – 17 January 2017	34,560
Consultants and Employees	12 February 2015	HK\$0.514	12 February 2015 – 11 February 2017	31,104,000

Save for disclosed above, no capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date. All Shares, Consolidated Shares and Rights Shares, when allotted and issued, shall rank *pari passu* with each other and in all respects with each other in all respects with the existing shares in all respects including rights to dividends, voting and return of capital. There is no arrangement under which future dividends will be waived or agreed to be waived.

The Shares in issue are listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

3. DISCLOSURE OF INTERESTS

Interests of Directors

As at Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies contained in the Listing Rules were as follows:

Long positions in shares, underlying share and debentures of the Company or its associated corporations:

Name of Director or chief executive of the Company	Capacity	Number of shares and underlying shares of the Company held by each Director	Approximate percentage of the total issued share capital of the Company
Mr. Huang Ying Yuan	Beneficial owner	11,864,000	0.30%
Mr. Huang Ying Yuan	Interest of spouse (Note)	4,936,000	0.13%
Mr. Huang Ying Yuan	Interest of controlled corporation (Note)	208,654,160	5.44%
		225,454,160	5.87%
Mr. Mak Kwong Yiu	Beneficial owner	660,000	0.017%

Note:

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 spouse of Mr. Huang and Intelligence Hong Kong Group Limited is controlled by Mr. Huang and Mrs. Huang Chen Li Chu.

Save as disclosed above, as at the Latest Practicable date, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies contained in the Listing Rules.

Interest of substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, each of the following persons (other than a Director or a chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Company were recorded in the register to be kept under section 336 of the SFO:

Long positions in shares, underlying share and debentures of the Company or its associated corporations:

Name of holder of Shares/underlying shares of the Company	Capacity	Number of shares and underlying shares of the Company held	Approximate percentage of the total issued share capital of the Company
Mr. David Michael Webb	Beneficial owner and interest of controlled corporation (Note 1)	283,251,970	7.38%
China Automotive Interior Decoration Holdings Limited	Beneficial owner (Note 2)	300,000,000	7.82%

Notes:

- (1) Mr. David Michael Webb beneficially owns 93,437,970 Shares, and in addition he holds 189,814,000 Shares through Preferable Situation Assets Limited, which is 100% directly owned by him.
- (2) China Automotive Interior Decoration Holdings Limited owns 300,000,000 Shares through its wholly owned subsidiary, Link Excellent Limited.

Save as disclosed in the preceding paragraph and so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 10% or more of the issued voting shares capital of any other member of the Group.

As at the Latest Practicable Date, save and except for information above, no other Director nor any parties acting in concert with any of them was interested in any Shares or any convertible securities, warrants, options or derivatives in respect of Shares.

4. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

- a) none of the Directors had any interest, either direct or indirect, in any assets which have, since 31 December 2015 (being the date to which the latest published audited accounts of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which is subsisting as at the Latest Practicable Date and is significant in relation to the business of the Group.

5. LITIGATION

During the year ended 31 December 2013, the Company, a wholly-owned subsidiary and certain disposed subsidiaries have been named as defendants in a United States District Court action in respect of an alleged breach of contractual undertakings for an amount of US\$2,222,000 (equivalents to HK\$17,333,000). The next trial date has not been set.

During the year ended 31 December 2014, the Company, two of its wholly-owned subsidiaries and two of the disposed subsidiaries have been named as joint defendants together with, among others, Baby Trend, Inc. in a United States District Court on the alleged faulty design in a car seat manufactured by the Company under the contract for Baby Trend, Inc. The next trial date has been set on 28 February 2017.

Save as disclosed above, as at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors' to be pending or threatened against any member of the Group.

6. DIRECTORS' CONTRACTS

Mr. Huang Ying Yuan has entered into service agreement with the Company for a period of three years commencing 1 December 1998 and will continue thereafter unless and until terminated by either party by three months' prior written notice.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors of the Company had entered or proposed to entered into any service contracts with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of any compensation (other than statutory compensation).

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or controlling shareholders or substantial shareholders of the Company or any of their respective close associates (as defined in the Listing Rules) had any interest in a business which competes or may compete with the business of the Group nor does any of them has or may have any other conflicts of interest with the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business have been entered into by members of the Group within the two years immediately preceding the date of this Circular:

- (i) the Underwriting Agreement;
- (ii) the agreement dated 19 April 2016 entered into among Treasure Boom Holdings Limited, a wholly-owned subsidiary of the Company, as the purchaser and Lin Mingxin as the vendor in relation to the acquisition of the entire issued share of Creative Wisdom Limited and the total amount of loan due and payable by Creative Wisdom Limited to Lin Mingxin upon the completion of the acquisition;
- (iii) the agreement dated 31 March 2016 entered into among 隆成諮詢(深圳)有限公司, a wholly-owned subsidiary of the Company, as the purchaser and the vendors in relation to the further acquisition of 41% of the issued share capital of 杭州錢內助金融信息服務有限公司;
- (iv) the settlement agreement dated 1 March 2016 entered into among, Lerado Group Limited, a wholly-owned subsidiary of the Company, as the seller, the Company, Zhongshan Lerado Qihang Trading Co., Ltd on the one part, and Maxi Miliaan BV as the buyer, Dorel Industries Inc. and Zhongshan Lerado Mfg Co. Ltd on the other part in relation to the dispute arising out of and in relation to the agreement dated 16 June 2014 entered into among the Company, a wholly-owned subsidiary of the Company, being the seller, and the buyers, being the independent third parties, in relation to the disposal of subsidiaries of the Company, and ancillary agreements between the parties, and the transaction contemplated therein;
- (v) the loan agreement dated 2 February 2016 entered into between BlackMarble Capital Limited, an indirect wholly-owned subsidiary of the Company, as the lender, and the borrower under the loan agreement in relation to the provision of the loan in amount of up to HK\$94,100,000;
- (vi) the placing agreement dated 29 January 2016 entered into among the Company and Black Marble Securities, an indirect wholly-owned subsidiary of the Company, as the placing agent, on a best effort basis, in relation to the placing of bonds up to an aggregate principal amount of HK\$200,000,000;
- (vii) the underwriting agreement dated 14 August 2015 entered into between the Company and Gransing Securities Co., Limited, as the underwriter, in relation to the underwriting arrangement in respect of the proposed issue by way of open offer on the basis of three offer shares for every one existing Share held on the record date;

- (viii) the agreement dated 27 May 2015 entered into between 駿勝世紀科技(深圳)有限公司, an indirect wholly-owned subsidiary of the Company, as the purchaser and 盤錦金遠寶興房地產開發有限公司 as the vendor in relation to acquisition of properties located at 38 blocks of villa under development, phase 1, Jinyuan Baoxing Shicheng Estate, Dawa County, Liaoning Province, PRC;
- (ix) the agreement dated 26 May 2015 entered into between the Company as the purchaser and China Automotive Interior Decoration Holdings Limited as the vendor in relation to acquisition of 100% of the issued share capital of Oriental Strategic Limited;
- (x) the subscription agreement dated 21 May 2015 entered into between Wonder Time Holdings Limited, a wholly-owned subsidiary of the Company, as the subscriber and China Investment and Finance Group Limited as the issuer in relation to subscribe 130,000,000 new shares of China Investment and Finance Group Limited;
- (xi) the agreement dated 31 March 2015 entered into between Perfect Scheme Limited, a wholly-owned subsidiary of the Company, as the purchaser and China Investment and Finance Group Limited as the vendor in relation to the acquisition of 100% of entire share capital of Garron International Strategic Limited; and
- (xii) the agreement dated 16 June 2014 entered into among the Company, Lerado Group Limited, a wholly-owned subsidiary of the Company, being the seller, Maxi Miliaan BV, as the buyer, and Dorel Industries Inc., being the independent third parties, in relation to the disposal of subsidiaries of the Company.

9. EXPERTS AND CONSENTS

The following is the qualification of the experts or professional advisers who have given opinion or advice contained in this circular:

Name	Qualification
Grand Vinco Capital Limited	licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu ("Deloitte")	Certified Public Accountants

As at the Latest Practicable Date, each of Vinco Capital and Deloitte had no beneficial interest in the share capital of any member of the Group nor any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group or have any interest, either directly or indirectly, in any assets which have been, since 31 December 2015, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of Vinco Capital and Deloitte has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its reports and/or its letters dated 27 July 2016 and/or references to its name and/or its advice in the form and context in which they respectively appear.

10. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, independent financial adviser fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$6.1 million, which are payable by the Company.

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Board of Directors

Executive Directors:

MAK Kwong Yiu
(Chairman and Chief Executive Officer)
HUANG Ying Yuan
(Honorary Chairman)
CHEN Chun Chieh
HUANG Shen Kai
LAI Kin Chung, Kenneth

Independent Non-executive Directors:

LAM Chak Man
YE Jianxin
CHERN Shyh Feng
HSU Hong Te

Registered office

Claredon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business in Hong Kong	Unit 1-3, 30/F., Universal Trade Centre 3-5A Arbutnot Road Central Hong Kong
Company secretary	Man Yun Wah
Authorised representatives	Lai Kin Chung, Kenneth Chen Chun Chieh
Branch share registrar in Hong Kong	Tricor Secretaries Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Chinatrust Commercial Bank, Ltd 28/F., Two International Finance Centre 8 Finance Street Central Hong Kong The Hongkong and Shanghai Banking Corporation Limited Level 6, HSBC Main Building 1 Queen's Road Central, Hong Kong
Auditors	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35/F., One Pacific Place 88 Queensway Hong Kong
Legal adviser to the Company	<i>As to Hong Kong Law</i> Tang Tso & Lau Room 209, 2/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong

Financial adviser to the Company	Akron Corporate Finance Limited 17AB Trust Tower 68 Johnston Road Wanchai Hong Kong
Underwriters	Black Marble Securities Limited 21/F, The Wellington, 184-198 Wellington Street, Central, Hong Kong Mak Kwong Yiu
Independent Financial Adviser	Grand Vinco Capital Limited Units 4909-4910, 49/F., The Center, 99 Queen's Road Central, Hong Kong

12. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. MAK Kwong Yiu (“**Mr. Mak**”), aged 41, has been appointed as an executive Director, the Chairman of the Board and the Chief Executive Officer of the Company since 1 April 2016. Mr. Mak is responsible to oversee the Group’s strategic planning and contribute his broad and profound experience in finance to the Group in operating and expanding financial businesses, and assist the Board in decision making.

Mr. Mak graduated from The Hong Kong University of Science and Technology with a Bachelor of Business Administration degree in Finance in November 1996 and a Master of Business Administration degree in November 2004. He earned the Chartered Financial Analyst designation in September 2000. He has been a Certified Public Accountant in the United States since May 2002 and a member of the Hong Kong Institute of Certified Public Accountants since May 2003. Mr. Mak is currently an independent non-executive director of GR Properties Limited (Stock code: 108), a company listed on the main board of the Stock Exchange, since 17 February 2014. He was previously an executive director and the group chief executive officer of Convoy Financial Holdings Limited (Stock code: 1019), a company listed on the main board of the Stock Exchange, between 16 March 2010 and 31 March 2016, and also an executive director of Interactive Entertainment China Cultural Technology Investments Limited (Stock code: 8081), a company listed on the Growth Enterprise Market of the Stock Exchange, between 30 July 2008 and 28 April 2014. He was also an independent non-executive Director between 25 April 2014 and 2 November 2015, therefore he is familiar with the culture and operations of the Company.

Mr. HUANG Ying Yuan (“Mr. YY Huang”), aged 65, is a founding member and was the Chairman and the Chief Executive Officer of the Company. Mr. Huang has been appointed as the honorary Chairman of the Board. Mr. YY Huang has 39 years of experience in the infant products industry. Mr. YY Huang assists the Chief Executive Officer in overseeing the Group’s strategic planning and has particular responsibility for marketing.

Mr. CHEN Chun Chieh (“Mr. Chen”), aged 40, was appointed as an executive Director on 3 April 2008. Mr. Chen has been working for the Group since 2002. He obtained a master’s degree in business administration from Lawrence Technical University, U.S.A. Mr. Chen is responsible for the strategic planning and finance of the Group.

Mr. HUANG Shen Kai (“Mr. SK Huang”), aged 38, joined the Group since March 2005, has been working as the Group Vice President for the manufacturing business of the Group and was appointed as an executive Director on 22 August 2014. Mr. SK Huang is responsible for the Group’s management and business development in the PRC market. Mr. SK Huang holds a Bachelor’s Degree of Business Administration from the Rochester University of Institute and a Master’s Degree of Business Administration from the American University. Mr. SK Huang is the son of Mr. Huang Ying Yuan, chairman and chief executive officer of the Company.

Mr. LAI Kin Chung, Kenneth (“**Mr. Lai**”), aged 46, was appointed as an executive Director on 15 December 2014. Mr. Lai has over 20 years of solid investment background specializing in property investment, social service, and technology sectors in Taiwan and the PRC. Mr. Lai graduated from Curtin University of Technology with a Bachelor of Commerce (Marketing & Management) in Australia. He initially worked as a floor trader with Bank of China Group Securities Limited and worked for various investment banks as a dealer including Lippo Securities Holdings Limited, Dresdner Bank and Charles Schwab Hong Kong Securities Limited from 1994 to 2002 and acted as Head of Dealing and Sales Trading at SBI E2 – Capital Asia Securities Limited during 2003-2006. He continued his career in sales desks from 2006 to 2013 working for DBS Vickers (Hong Kong) Ltd., CCB International Securities Ltd., Agricultural Bank of China and Core Pacific-Yaimaichi International (HK) Ltd. From September 2013 to August 2014, he worked in a fund management company specialized in portfolio management and risk management. In addition, Mr. Lai has all-rounded experiences in securities advisory, corporate finance, corporate management and fund management.

Independent Non-Executive Directors

Mr. LAM Chak Man (“**Mr. Lam**”), aged 34, was appointed as an independent non-executive Director on 16 November 2015. Mr. Lam is a practicing certified public accountant and is currently a director of Grandeur CPA Limited. Mr. Lam has extensive experience in the fields of auditing, accounting and finance. Mr. Lam graduated from Curtin University of Technology in Australia with a Bachelor Degree of Accounting and Finance. Mr. Lam is also a member of the Hong Kong Institute of Certified Public Accountants.

Mr. YE Jianxin (“**Mr. Ye**”), aged 63, was appointed as an independent non-executive Director on 15 December 2014. Mr. Ye has over 3 decades of experience acting as department head and general manager in different companies engaging in sales and marketing. He has extensive experience in managing large enterprises especially in the area of sales and marketing. Mr. Ye graduated from high school in China.

Mr. CHERN Shyh Feng (“**Mr. Chern**”), aged 48, was appointed as an independent non-executive Director on 6 February 2015. Mr. Chern is the founder and Chairman of Paralink Asset Management Asia Limited. Mr. Chern has extensive experience in banking, finance and accounting and held executive positions at several international financial institutions and listed companies. Mr. Chern obtained his Bachelor Degree in Accounting from the Ohio State University in United States of America and Master Degrees in Accounting and Business Administration in Finance respectively from the University of Illinois in United States of America. Mr. Chern has held executive positions at several investment banks, securities houses and asset management companies in Taiwan, Shanghai and Hong Kong. He was lecturer of Taiwan Securities and Futures Markets International Development Fund and Faculty of Banking and Finance of Tamkang University in Taipei. Mr. Chern was an independent non-executive director of the Company during the years from 2009 to 2014, therefore he is very familiar with the culture and operations of the Company.

Mr. HSU Hong Te (“**Mr. Hsu**”), aged 40, has been appointed as an independent non-executive Director since 1 April 2016. Mr. Hsu graduated from National Taiwan University in Taiwan in 2000 with a Bachelor of Science in Chemical/Advanced Material Engineering, and graduated from The University of Southampton in the United Kingdom in 2004 with a Master of Science of Aerodynamics and Computation. He was awarded the certificate of Financial Risk Manager in 2007 and the certificate of Chartered Alternative Investment Analyst in 2008. He earned the Chartered Financial Analyst designation in 2010. Mr. Hsu has passed the Papers 1, 2, 3, 5, 6, 7, 8, 9, 11 and 12 of Licensing Examination for Securities and Futures Intermediaries of the Hong Kong Securities and Investment Institute. Mr. Hsu has obtained the license of Futures and Options Specialist, the license of Senior Securities Specialist and the license of Securities Investment Trust and Consulting Professionals by the Securities & Futures Institute. Mr. Hsu is currently the chairman of Affluent Jade Limited, and previously acted as Global Market Analyst of Elite Wealth Partners LLC, Research Manager of Hua Nan Securities Co., Ltd., Investment Manager of SinoPac Venture Capital Co., Ltd. and Investment Manager of Ruentex Group. Mr. Hsu has extensive experience in the field of corporate financing and penetrative sense in analyzing the financial market.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at the principal place of business of the Company in Hong Kong at Unit 1-3, 30/F., Universal Trade Centre, 3-5A Arbuthnot Road, Central, Hong Kong from the date of this Circular up to and including the date of the SGM:

- a) the memorandum of association and bye-laws of the Company;
- b) the annual reports of the Company for the three years ended 31 December 2013, 2014 and 2015;
- c) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 44 and 45 of this circular;
- d) the letter of advice from Vinco Capital, the text of which is set out on pages 46 to 73 of this circular;
- e) the accountants' report on the unaudited pro forma financial information of the Group set out in Appendix II to this circular;
- f) the letters of written consent referred to under the paragraph headed "Experts and Consents" in this Appendix;
- g) the service contract disclosed in the paragraph under the heading "Directors' Contracts" in this Appendix;
- h) the material contracts disclosed in the paragraph under the heading "Material Contracts" in this Appendix; and
- i) this circular.

14. MISCELLANEOUS

- a) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- b) The business address of all Directors and authorised representatives of the Company is Unit 1-3, 30/F., Universal Trade Centre, 3-5A Arbuthnot Road, Central, Hong Kong.
- c) The company secretary of the Company is Mr. Man Yun Wah ("**Mr. Man**"). Mr. Man holds a Bachelor's Degree in Business Administration and Management and a Master's Degree in Corporate Governance. He is currently an associate member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries. Mr. Man has extensive working experience in the company secretarial profession.
- d) the English text of this circular and the accompanying form of proxy shall prevail over the respective Chinese text in the case of inconsistency.

NOTICE OF SGM



Lerado Financial Group Company Limited

隆成金融集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1225)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the “**SGM**”) of Lerado Financial Group Company Limited (the “**Company**”) will be held at 9:00 a.m. on Friday, 12 August 2016 at Portion 2, 12/F., The Centre, 99 Queen’s Road Central, Central, Hong Kong or at any adjournment thereof, for the purpose of considering and, if thought fit, passing (with or without amendment) the following resolutions of the Company (unless otherwise indicated, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 27 July 2016):

ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval of the listing of, and permission to deal in, the Consolidated Shares (as defined below), with effect from the business day (as defined below) immediately following the business date on which this resolution is passed:
 - (a) every five (5) issued and unissued shares of HK\$0.1 each in the share capital of the Company be consolidated into one (1) share of HK\$0.5 each (the “**Consolidated Share**”) in the share capital of the Company (the “**Share Consolidation**”);
 - (b) the Consolidated Shares shall rank *pari passu* in all respects with each other and have the same rights and privileges as regards dividend, capital, redemption, attendance at meetings, voting, etc. and be subject to the restrictions in respect of ordinary shares contained in the bye-laws of the Company;
 - (c) all fractional Consolidated Shares will be disregarded and will not be issued to the holders of the existing shares of HK\$0.1 each in the share capital of the Company but all fractional Consolidated Shares will be aggregated, sold and retained for the benefit of the Company, if possible and applicable; and

NOTICE OF SGM

- (d) the directors of the Company be and are hereby generally authorised to do all such acts, deeds and things and execute all such documents, including under the seal of the Company, where applicable, as they may consider necessary or expedient to complete, implement and give effect to any and all the arrangements set out in this resolution.

For the purpose of this resolution, “business day” means a day on which commercial banks in Hong Kong are generally open for business (other than Saturday, Sunday and public holiday).”

2. **“THAT**

- (i) Subject to the Share Consolidation becoming effective, the authorised share capital of the Company be increased from HK\$1,000,000,000 (divided into 2,000,000,000 Consolidated Shares of nominal value of HK\$0.5 each) to HK\$5,000,000,000 (divided into 10,000,000,000 Consolidated Shares of nominal value of HK\$0.5 each) by the creation of an additional 8,000,000,000 Consolidated Shares, and that each such new Consolidated Share, upon issue, shall rank *pari passu* in all respects with the Consolidated Shares in issue and have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association and bye-laws of the Company (the **“Increase in Authorised Share Capital”**); and
- (ii) any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute and deliver all such documents, including under the seal of the Company, where applicable, as he/she/they may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of the Increase in Authorised Share Capital.”

3. **“THAT** conditional upon fulfilment or waiver (where applicable) of the conditions of the Underwriting Agreement (as defined below):

- (a) the allotment and issue of not less than 1,535,482,758 Consolidated Shares and not more than 1,547,952,006 Consolidated Shares (in their nil-paid and fully-paid form) (the **“Rights Shares”**) by way of rights issue (the **“Rights Issue”**) at a subscription price of HK\$0.2 per Rights Share on the basis of two (2) Rights Shares for every one Consolidated Share to the qualifying holders of the Shares (the **“Qualifying Shareholders”**) of the Company whose names appear on the register of members of the Company on Wednesday, 24 August 2016 (or such later date as the Company and the Underwriters (as defined below) may agree to be the record date for such Rights Issue) (the **“Record Date”**) other than those shareholders with addresses on the Record Date are outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements

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of the relevant regulatory body or stock exchange in that place (the “**Non-Qualifying Shareholders**”) as described in further details in the Company’s circular dated 27 July 2016 and on and subject to such terms and conditions as may be determined by the Directors and otherwise pursuant to and subject to the fulfillment of the conditions set out in the underwriting agreement (the “**Underwriting Agreement**” including all supplemental agreement(s) relating thereto, if any) (a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification) dated 29 June 2016 and made between the Company and Black Marble Securities Limited and Mak Kwong Yiu as underwriters (collectively, the “**Underwriters**”), and the transactions contemplated thereunder, be and are hereby approved;

- (b) any one Director be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to Non-Qualifying Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong;
- (c) the entering into of the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company be and are hereby approved;
- (d) the absence of arrangements for application for the Rights Shares by the Qualifying Shareholders in excess of their entitlements under the Rights Issue (the “**EA Absence**”) be and are hereby approved, confirmed and ratified; and
- (e) any one Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Rights Issue or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the EA Absence, the Underwriting Agreement and the transactions contemplated thereunder or in this resolution.”

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

Hong Kong, 27 July 2016

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Notes:

1. Any shareholder entitled to attend and vote at the SGM shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf. A proxy need not to be a shareholder of the Company.
2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the SGM (or any adjournment thereof).
3. Completion and delivery of a form of proxy shall not preclude a shareholder from attending and voting in person at the SGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. Where there are joint holders of any shares, any one of such joint holder may vote, either in person or by proxy in respect of such shares as if he/she were solely entitled hereto; but if more than one of such joint holders be present at the SGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.
5. A form of proxy for use at the SGM is attached herewith.
6. Any voting at the SGM shall be taken by poll.
7. The form of proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

As at the date of this notice, the executive directors of the Company 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 of the Company are Mr. LAM Chak Man, Mr. YE Jianxin, Mr. CHERN Shyh Feng and Mr. HSU Hong Te.