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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)*

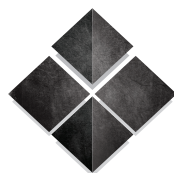
**(Stock Code: 1225)**

### **(1) PROPOSED CAPITAL REORGANISATION**

**AND**

### **(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE NEW SHARE HELD ON THE RECORD DATE AT SUBSCRIPTION PRICE OF HK\$0.10**

**Underwriter of the Rights Issue**



**BLACK MARBLE**  
貝格隆集團

#### **PROPOSED CAPITAL REORGANISATION**

The Company proposes to implement the Capital Reorganisation which will involve the following:

- (1) the proposed Capital Reduction whereby the issued share capital of the Company will be reduced by a reduction of the par value of each issued Share from HK\$0.50 to HK\$0.01 per issued Share which reduction will comprise of a cancellation of such amount of the paid-up capital on each issued Share and an extinguishment and reduction of any part of the capital not paid up on any issued Shares so that each existing issued Share will be treated as one fully paid up share of par value of HK\$0.01 each in the share capital of the Company immediately following the Capital Reduction and the credits arising from a cancellation of the paid-up capital on the issued Shares shall be transferred to the contributed surplus account of the Company and be applied for such purposes as permitted by all applicable laws and the memorandum and bye-laws of the Company and as the Board considers appropriate;

- (2) immediately following the Capital Reduction, the proposed Share Subdivision whereby each of the authorised but unissued Shares of HK\$0.50 each will be sub-divided into fifty (50) New Shares of HK\$0.01 each.

### **PROPOSED RIGHTS ISSUE**

The Company proposes to raise approximately HK\$460.64 million (before expenses) by way of Rights Issue of 4,606,448,274 Rights Shares at the Subscription Price of HK\$0.10 per Rights Share on the basis of two (2) Rights Shares for every one (1) New Share held on the Record Date.

The net proceeds from the Rights Issue after deducting the estimated expenses are estimated to be approximately HK\$452.2 million. The Company intends to apply the net proceeds from the Rights Issue as to (i) approximately RMB380.0 million or HK\$429.4 million for seed capital investment for the Proposed JV Formation (see details in the Announcement dated 29 December 2016 in relation to the JV Agreement) and operation of PRC JV business; (ii) the remaining balance of approximately HK\$22.8 million for general working use of the Group for the next 12 month.

The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders. To qualify for the Rights Issue, all transfers of Shares must be lodged for registration with the Registrar by 4:30 p.m. on Tuesday, 2 May 2017. The register of members of the Company will be closed from Thursday, 4 May 2017 to Wednesday, 10 May 2017, both dates inclusive, to determine the eligibility of the Rights Issue.

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

Pursuant to the Underwriting Agreement, the Company will procure Mr. Mak to give an irrevocable undertaking for his full entitlement of the Rights Issue respectively in favour of the Company and the Underwriter not to dispose of their shareholdings and to accept all the Rights Shares they will be entitled under the Rights Issue.

**Shareholders and potential investors should note that the Rights Issue is subject to the satisfaction of certain conditions as described under the section headed “Conditions of the Rights Issue” in this announcement. In particular, it is conditional upon the Underwriting Agreement having become unconditional and the Underwriter 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 New Shares (as the case may be) and/or nil-paid Rights Shares.**

**Shareholders should note that the New Shares will be dealt in on an ex-rights basis commencing from Friday, 28 April 2017 and that dealings in the Rights Shares in the nil-paid form will take place from 9 a.m. Monday, 15 May 2017 to 4 p.m. on Monday, 22 May 2017 (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 New Shares (as the case may be) and/or nil-paid Rights Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholder or other person contemplating any dealings in the Shares or the New Shares (as the case may be) and/or nil-paid Rights Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.**

### **LISTING RULES IMPLICATIONS**

In accordance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue. As at the date of this announcement, the Company does not have any controlling Shareholder whilst Mr. Mak, being an executive Director and Chairman of the Board, holds 217,072,320 Shares, are required to abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the SGM.

### **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Board has established an Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lam Chak Man, Mr. Ye Jianxin, Mr. Chern Shyh Feng and Mr. Hsu Hong Te, to advise the Independent Shareholders in connection with the Rights Issue, 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. An Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in these regards. An announcement will be made upon the appointment of the Independent Financial Adviser.

### **GENERAL**

An SGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other matters, the Capital Reorganisation and the Rights Issue. A Circular containing, *inter alia*, (i) further details of the Capital Reorganisation and the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the SGM and the related proxy form, will be despatched by the Company to the Shareholders on or before Monday, 3 April 2017.

## PROPOSED CAPITAL REORGANISATION

The Company proposes to implement the Capital Reorganisation which will involve the following:

- (1) the proposed Capital Reduction whereby the issued share capital of the Company will be reduced by a reduction of the par value of each issued Share from HK\$0.50 to HK\$0.01 per issued Share which reduction will comprise of a cancellation of such amount of the paid-up capital on each issued Share and an extinguishment and reduction of any part of the capital not paid up on any issued Shares so that each existing issued Share will be treated as one fully paid up share of par value of HK\$0.01 each in the share capital of the Company immediately following the Capital Reduction and the credits arising from a cancellation of the paid-up capital on the issued Shares shall be transferred to the contributed surplus account of the Company and be applied for such purposes as permitted by all applicable laws and the memorandum and bye-laws of the Company and as the Board considers appropriate;
- (2) immediately following the Capital Reduction, the proposed Share Subdivision whereby each of the authorised but unissued Shares of HK\$0.50 each will be sub-divided into fifty (50) New Shares of HK\$0.01 each.

### Effect of the Capital Reorganisation

Assuming there will be no change in the issued share capital of the Company from the date of this announcement up to the effective date of the Capital Reorganisation, the share capital structure of the Company will be as follows:

	<b>As at the date of this announcement</b>	<b>Immediately upon the Capital Reduction taking effect</b>
Nominal or par value	HK\$0.50	HK\$0.01
Number of authorised shares	10,000,000,000	500,000,000,000
Amount of the authorised share capital	5,000,000,000	5,000,000,000
Number of issued shares	2,303,224,137	2,303,224,137

Based on the number of Shares in issue as at the date of this announcement, as a result of the Capital Reduction, a credit of approximately HK\$667.935 million will arise on the books of the Company. Such credit will be transferred to the contributed surplus account of the Company, and be applied for such purposes as permitted by all applicable laws and the memorandum and bye laws of the Company and as the Board considers appropriate, including but not limited to the distribution of dividends.

All New Shares in issue will rank *pari passu* in all respects with each other.

Save for the expenses to be incurred in relation to the Capital Reorganisation, the Directors consider that the Capital Reorganisation will have no effect on the underlying assets, business operations, management or financial position of the Company or the proportional interests of the Shareholders in the Company.

## **Conditions of the Capital Reorganisation**

The Capital Reorganisation is conditional on the following conditions being fulfilled:

- (i) the passing of the necessary resolution(s) to approve the Capital Reorganisation by the Shareholders at the SGM to be convened by the Company;
- (ii) compliance with section 46(2) of the Companies Act of Bermuda; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares upon the Capital Reorganisation becoming effective.

## **Reasons for Capital Reorganisation**

The Capital Reorganisation will allow the Company greater flexibility in setting the issue price for future equity fund raising exercises, including the Rights Issue. The Capital Reorganisation will also reduce the par value of all Shares to HK\$0.01 each so that no issued Share is issued below its par value. The credit arising from the Capital Reorganisation will facilitate the payment of dividends as and when the Directors consider it appropriate in the future.

Accordingly, the Board is of the view that the Capital Reorganisation is beneficial to and in the interests of the Company and Shareholders as a whole.

The Capital Reorganisation will not, of itself, alter the underlying assets, business operations, management or financial position of the Company and its subsidiaries except for the payment of related expenses.

## **Free exchange of certificates for New Shares**

Subject to the Capital Reorganisation becoming effective, Shareholders may during the prescribed period submit share certificates for the Shares to the Registrar, Tricor Secretaries Ltd. at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, in exchange, at the expense of the Company, for new share certificates of the New Shares. Thereafter, certificates of the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each share certificate of the Shares cancelled or each new share certificate issued for the New Shares, whichever number of certificates cancelled/issued is higher. The existing share certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:00 p.m. on Friday, 2 June 2017 and thereafter will not be accepted for delivery, trading and settlement purposes. Nevertheless, certificates of the Shares will continue to be good evidence of legal title and may be exchanged for certificates of the New Shares at any time.

## **Listing and dealings**

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 New Shares arising from the Capital Reorganisation.

No part of the share capital of the Company is listed or dealt in, and no listing or permission to deal is being or is proposed to be sought, on any other stock exchange other than the Stock Exchange. Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New 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 New 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.

### **Application for listing of the New 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 New Shares.

The New 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 New Shares on the Stock Exchange, the New 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 New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS operational procedures in effect from time to time.

None of the New Shares are listed or dealt in any other stock exchange other than the Stock Exchange, and at the time the becoming effective, the New 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.



## PROPOSED RIGHTS ISSUE

The Company proposes to raise approximately HK\$460.64 million (before expenses) by way of Rights Issue of 4,606,448,274 Rights Shares at the Subscription Price of HK\$0.10 per Rights Share on the basis of two (2) Rights Shares for every one (1) New 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) New Share held on the Record Date
Subscription Price:	HK\$0.10
Number of Shares in issue as at the date of this announcement:	2,303,224,137
Number of Rights Shares:	4,606,448,274 Rights Shares ( <i>Note 1</i> )
Number of Rights Shares undertaken by Mr. Mak:	434,144,640 Rights Shares ( <i>Note 2</i> )
Number of Rights Shares underwritten by the Underwriter:	4,172,303,634 Rights Shares ( <i>Note 1</i> )
Number of Shares in issue upon completion of the Rights Issue:	6,909,672,411 ( <i>Note 1</i> )

### Notes:

- (1) Calculated and based on the assumption that there is no change to the issued share capital of the Company from the date of this announcement up to and including the Record Date.
- (2) Pursuant to the Underwriting Agreement, Mr. Mak has undertaken to subscribe for his full entitlements of the Rights Issue of 434,144,640 Rights Shares.

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

Assuming that there is no change to the issued share capital of the Company from the date of this announcement up to and including the Record Date, 4,606,448,274 Rights Shares will be issued upon the completion of the Rights Issue, which represents 200% of the issued share capital of the Company immediately after the Rights Issue and approximately 66.67% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

## Subscription Price

The Subscription Price is HK\$0.10 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 36.31% to the closing price of HK\$0.157 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 38.27% to the average closing price of approximately HK\$0.162 per Share as quoted on the Stock Exchange for the last five consecutive trading days including and up to the Last Trading Day; and
- (iii) a discount of approximately 15.91% to the theoretical ex-rights price of approximately HK\$0.119 per Share after the Rights Issue, based on the theoretical closing price of HK\$0.157 per Share as quoted on the Stock Exchange on the Last Trading Day.

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

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

- (i) given the fund raising size of the Rights Issue of a minimum of approximately HK\$460.64 million (assuming there is no shares being issued or repurchased by the Company on or before the Record Date) (before expenses) was around 1.3 times of the market capitalisation of approximately HK\$361.61 million of the Company as at the Last Trading Day, it is the need for setting the Subscription Price at a relatively deep discount for inducing the Underwriter to provide underwriting services under the Rights Issue and attracting the Qualifying Shareholders to participate in the Rights Issue;
- (ii) the downward trend of the prevailing trading prices of the Shares in the past twelve months, nine months and six months which decreased from HK\$0.573, HK\$0.431 and HK\$0.211 on 14 March 2016, 14 June 2016 and 14 September 2016 to HK\$0.157 on the Last Trading Day, representing a decrease of approximately 72.6%, 63.6% and 25.6%, respectively;



- (iii) the Company has approached four securities houses in the course of considering the Rights Issue. Each of the aforesaid securities house requested for underwriting commission of 2.5% to 3.5% for the Rights Issue given the size of the Rights Issue and the Company's business scale. Such amount of underwriting commission exceeds underwriting commission of 1.5% under the Previous Rights Issue. Furthermore, the Underwriter 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 Underwriter, namely, Black Marble Securities, being an indirect wholly-owned subsidiary of the Company, is the only available underwriter agreed to provide underwriting service for the Rights Issue in a fully underwritten basis with underwriting commission same as that under the Previous Rights Issue;
- (iv) 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;
- (v) 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;
- (vi) the Rights Issue is subject to Shareholders' approval, which means that the Shareholders have a right to disapprove the Rights Issue;
- (vii) 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
- (viii) 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 Underwriter has also undertaken to the Company that none of the persons to be procured by the Underwriter 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 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 Underwriter 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 23.51% to approximately 7.84%, representing a dilution effect on the shareholding interests of approximately 66.67% 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 Shares on the Last Trading Day) was approximately 24.20%.

The estimated net price per Rights Share after deducting the related expenses of the Rights Issue will be approximately HK\$452.2 million.

### ***Qualifying Shareholders***

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

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

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer of the Shares (with the relevant share certificates) for registration with the Registrar by 4:30 p.m. on Tuesday, 2 May 2017. The address of the Registrar is at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

### ***Rights of the Overseas Shareholders***

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

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

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

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

#### ***Closure of register of members***

The register of members of the Company will be closed from Thursday, 20 April 2017 to Wednesday, 26 April 2017, 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 register of members of the Company will also be closed from Thursday, 4 May 2017 to Wednesday, 10 May 2017 (both dates inclusive) to determine the entitlement to the Rights Issue. No transfer of 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) New 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 New 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 the Rights Shares***

The Company will not provisionally allot fractions of Rights Shares in nil-paid form and will not accept applications for any fractions of the Rights Shares. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number). All nil-paid Rights Shares arising from such aggregation will be sold by the Company or its nominee in the market and the proceeds will be retained by the Company for its own benefit, if a premium (net of expenses and stamp duty) can be obtained. Any such unsold aggregate fractions of nil-paid Rights Shares will not be made available for excess application on the EAFs by the Qualifying Shareholders. No odd lot matching services will be provided.

### ***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 Tuesday, 6 June 2017 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 Tuesday, 6 June 2017 by ordinary post at the respective Shareholders' own risk.

### ***Application for excess Rights Shares***

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted.

Any Qualifying Shareholder wishing to apply for any Rights Shares in addition to his/her/its provisional allotment must complete and sign the EAF as indicated thereon and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar of the Company at Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong so as to be received by no later than 4:00 p.m. on Thursday, 25 May 2017. All remittances must be made by cheque or cashier's order in Hong Kong dollars.

The Directors will allocate the excess Rights Shares on a fair and equitable basis. Subject to availability of the excess Rights Shares, the excess Rights Shares will be allocated to those who have applied for excess Rights Shares on a pro rata basis by reference to the number of excess Rights Shares being applied for under each application. There is no odd lot arrangement after the excess Rights Shares are allotted. If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders under PALs is greater than the aggregate number of excess Rights Shares applied for through EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares in full application. No preference will be given to topping up odd lots to whole board lots.

Investors with their Shares held by a nominee company should note that the Board will regard the nominee company including HKSCC Nominees Limited (“**HKSCC Nominees**”) as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners holding the listed securities through HKSCC Nominees individually. HKSCC Nominees will allocate the excess Rights Shares it receives to the relevant CCASS participants pro-rata to the number of excess Rights Shares each has applied for, or in such other manner as HKSCC considers fair and appropriate, which is pursuant to the allocation basis as stipulated in Rule 8.10.4(ix) of the CCASS Operational Procedures.

The allocation of excess Rights Shares (if any) to the Qualifying Shareholders will be announced by the Company on or about Monday, 5 June 2017. If no excess Rights Shares are allotted to the Qualifying Shareholders, it is expected that a cheque for the amount tendered on application will be refunded in full without interest on or before Tuesday, 6 June 2017. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, a cheque for the amount of the surplus application monies is also expected to be refunded to them without interest on or before Tuesday, 6 June 2017.

All cheques and cashier’s orders will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the EAF together with a cheque or cashier’s order in payment for excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the cashier’s order will be honoured on first presentation. If any cheque or cashier’s order accompanying a completed EAF is dishonoured on first presentation, without prejudice to the other rights of the Company, such EAF is liable to be rejected.

Completion and return of the EAF by anyone outside Hong Kong will constitute a warranty and representation to the Company that all the local registration, legal and regulatory requirements of such relevant jurisdictions other than Hong Kong in connection with the EAF and any application under it, have been, or will be, duly complied with. For the avoidance of doubt neither HKSCC nor HKSCC Nominees is subject to any of the representations and warranties.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including refund cheques for wholly or partially unsuccessful applications for excess Rights Shares, will be despatched by ordinary post at the risk of the persons entitled thereto to their respective registered addresses as shown in the register of members of the Company on the Record Date.

If the Underwriter exercises the right to terminate the Underwriting Agreement or if the conditions of the Rights Issue are not fulfilled or waived (as applicable), the monies received in respect of the relevant applications for excess Rights Shares will be returned to the applicants, or in case of joint applicants, to the first-named person, without interest by means of cheques despatched by the ordinary post to their respective addresses at their own risk on or before Tuesday, 6 June 2017.

**Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.**

### ***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 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: 14 March 2017 (after trading hours)

Underwriter:	<b>Number of Shares to be underwritten pursuant to the Underwriting Agreement</b>
Black Marble Securities Limited	Balance of Untaken Shares not undertaken up by Mr. Mak, being 4,172,303,634 Rights Shares (assuming there is no shares being issued or repurchased by the Company on or before the Record Date) (the “ <b>Black Marble’s Underwriting Commitment</b> ”)
Total number of Rights Shares:	4,606,448,274 Rights Shares
Total number of Rights Share undertaken by Mr. Mak:	434,144,640 Rights Shares
Total number of Rights Shares underwritten by the Underwriter:	all the Rights Shares (other than 434,144,640 Rights Shares undertaken to be taken up by Mr. Mak) being 4,172,303,634 Rights Shares (assuming there is no shares being issued or repurchased by the Company on or before the Record Date)
Underwriting commission:	1.5% on the maximum number of Underwritten Shares



The Rights Issue that is: a) provisionally allotted but not accepted; b) entitlements of the Excluded Shareholders the rights to which are not sold; and c) representing aggregation of fractions of Rights Shares which are not sold, is fully underwritten by the Underwriter.

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

To demonstrate Mr. Mak's support for the Rights Issue and his commitment to and confidence in the prospects and sustainable development of the Group over the long run, Mr. Mak has undertaken for his full entitlements of the Rights Issue.

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) considers the terms of the Underwriting Agreement including the commission rate accords with market practice and is fair and reasonable so far as the Company and the Shareholders are concerned.

As at the date of this announcement, save for Mr. Mak's, 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.

Pursuant to the Underwriting Agreement, no Shares shall be allotted or issued between the date hereof up to and including the Record Date by the Company.

### **Mr. Mak's Undertaking**

Mr Mak irrevocably undertakes to the Company and the Underwriter that he will not, within the period commencing from the date hereof 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 or New 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.

Save for the above Mr. Mak's Undertakings, the Board has not received any information from any Shareholders of their intention to take up the Rights Shares they are entitled under the Rights Issue.

## **Underwriter's Undertaking**

The Underwriter irrevocably undertakes to the Company that if the Underwriter or any of the Sub-Underwriter is required to take up the Rights Shares pursuant to their underwriting/sub-underwriting obligations:

- (a) the Underwriter shall not subscribe for any Rights Shares or become a Shareholder directly or indirectly after completion of the Rights Issue and shall procure the Sub-Underwriters and/or other subscribers to take up all the Untaken Shares;
- (b) the Underwriter will not trigger a mandatory offer obligation under Rule 26 of Takeovers Code on the part of the Underwriter in respect of performing its obligations hereunder;
- (c) The Underwriter shall and shall cause the Sub-Underwriter to procure subscribers 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;
- (d) none of the persons to be procured by the Underwriter to subscribe for the Untaken Shares will be holding 10% or more of the total issued shares of the Company immediately after completion of the Rights Issue; and
- (e) The Underwriter shall use its reasonable endeavours to ensure that the Sub-Underwriters and the subscribers for the Untaken Shares are independent of and not connected with the Company and its connected persons.

## **Conditions of the Rights Issue**

The Rights Issue is conditional upon:

- (a) the proposed Capital Reorganisation becoming effective;
- (b) the passing by the Independent Shareholders at the SGM of the necessary resolution(s) approving, among others, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Rights Shares;
- (c) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one duly certified copy of each of the Rights Issue Documents (and all other documents required to be attached thereto) not later than the Posting Date and in compliance with the Listing Rules and the Companies Ordinance;
- (d) the posting of the Rights Issue Documents to the Qualifying Shareholders;
- (e) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment), and not having revoked, listing of, and permission to deal in the Rights Shares, in nil-paid and fully-paid forms;

- (f) compliance and performance by the Company of all its undertakings and obligations under the Underwriting Agreement; and
- (g) compliance with and performance by Mr. Mak of all his undertakings and obligations under the Underwriting Agreement.

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 Underwriter) or if the Underwriting Agreement shall be rescinded pursuant to the Underwriting Agreement, all obligations and liabilities of the parties to the Underwriting Agreement shall forthwith cease and determine and no party shall have any claim against the other (save for any antecedent breaches as prescribed in the Underwriting Agreement).

### **Termination of the Underwriting Agreement**

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

- (A) the Underwriter 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 Underwriter) 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 Underwriter:–

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

### **REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS**

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

The Group commenced its securities brokerage and money lending business in July 2015 and began to contribute to the Group's business operation. As disclosed in the Company's 30 June 2016 interim report for the period ended 30 June 2016 (the "**2016 Interim Report**"), segment revenue of the Group's securities brokerage, money lending and other financial service (the "**Existing Financial Business**") aggregated to approximately HK\$38.0 million, representing approximately 35.3% of the Group's total revenue. In addition, despite segment loss of approximately HK\$5.1 million recorded by the Group for the period ended 30 June 2016, the Existing Financial Business recorded segment profit of approximately HK\$19.3 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 period ended 30 June 2016.

As indicated in the 2016 Interim 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 2016 Interim Report, despite the Group recorded loss from continuing operation of approximately HK\$113.3 million, a substantial portion is attributable to decrease in fair value for held-for-trading investments of approximately HK\$104.5 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\$597.9 million for period ended 30 June 2016 as compared with a net cash outflow of approximately HK\$152.6 million for period ended 30 June 2015.

As at 31 December 2016, based on the unaudited management accounts of the Group, the Group had unrestricted cash and cash equivalent of approximately HK\$432.0 million, including the funding needs of approximately HK\$80.0 million for developing the finance lease business in the PRC as stated in the prospectus dated 25 August 2016 for which the fund was raised from the previous Rights Issue and is expected to be fully-settled in March 2017.

After considering the funding needs of the Finance Lease which is expected be settled in March 2017 as stated above, the unrestricted cash and cash equivalent of the Group will be reduced to approximately HK\$352.0 million, which has been utilized and is expected to be utilized towards the actual funding needs for (i) repayment of HK\$40.0 million term loan which is due on 9 March 2017; (b) potential money lending and margin financing request under the Existing Financial Business of approximately HK\$120 million, rendering an expected remaining balance of HK\$192.0 million. As such, the Directors are of the view that such amount will not be sufficient to satisfy the Group's funding needs for the next 12 months, in particular, its future business development as stated under the below paragraph "Development of PRC Joint Venture business" after taking into account of the operating cash outflow of the Group of over HK\$500.0 million for the period ended 30 June 2016.

The gross proceeds from the Rights Issue will be approximately HK\$460.6 million. The net proceeds from the Rights Issue after deducting the estimated expenses are estimated to be approximately HK\$452.2 million.

The Company intends to apply net proceeds from the Rights Issue as to (i) for seed capital investment as stated in the circular of the Company dated 3 February 2017, the Group has entered into the JV Agreement in relation to a possible formation of a JV in the PRC of which the Black Stone Securities will subscribe 19% of the total investment of RMB2 billion or HK\$2.26 billion, by way of cash for not more than approximately RMB380.0 million or HK\$429.4 million (the "**Proposed JV Formation**"), of which the Company expects the relevant payments will be made on or before August 2017. Details are set out in the below paragraph; (ii) the remaining balance of approximately HK\$22.8 million (assuming minimum of net proceeds will be materialised) will be utilised towards the general working capital of the Group for the next 12 month.

(i) **Development of PRC Joint Venture business**

Details are set out in the in the circular dated 3 February 2017. Unless defined otherwise, capitalized terms used under this section of the announcement shall have the same meaning as defined in the circular dated 3 February 2017.

On 29 December 2016 (after trading hours), an indirect wholly-owned subsidiary of the Company, Black Marble Securities, entered into the JV Agreement and the Supplementary Agreement with China Kweichow Moutai, Huakang Insurance, FS Financial Holding, Shijiazhuang Changshan Textile and Zhuhai ZhengBang Logistics in relation to the Proposed JV Formation under the CEPA framework for the purpose of establishing a licensed corporation to provide full range of securities and financial services in the PRC.

***Preparatory Group***

A Preparatory Group will be formed to coordinate the application to CSRC for the license that needed to carry out the proposed businesses in the PRC, including but not limited to the drafting of the memorandum and article of association and other documents related to the Proposed JV Formation, and the recruitment of other professional parties for due diligence. JV Shareholders agreed to authorise China Kweichow Moutai and Huakang Insurance to form the Preparatory Group.

***Scope of business and formation***

The JV Company, with its proposed name of 廣東絲路證券股份有限公司 (Guandong Silk Road Securities Co., Ltd\*), will be established as a limited liability company, with its office to be established in the Nansha District, Guangzhou City, Guangdong Province, the PRC. Its formation is subject to the approval by the CSRC and other relevant regulatory authorities in the PRC, which includes, approval from the Ministry of Commerce of the PRC and registration and filings with the Administration for Industry and Commerce of the PRC of the respective province. Pursuant to Supplement X of the CEPA and the Guideline For The Establishment Of A Securities Company\* (【行政許可事項服務指南】證券公司設立審批) from the CSRC, application documents together with a written consent issued by the people's government at the provincial or municipal level, among others, are required for application for the regulatory licenses. As at the date of this announcement, the JV Shareholders has sought for the People's Government of Guangdong Province for consent. Once the written consent is obtained, the JV Shareholders will submit the formal application to the CSRC for the establishment of and the grant of regulatory licenses to the JV Company. Once the approval from CSRC has been obtained, the JV Company will proceed with (i) the application to the Ministry of Commerce of the PRC; and (ii) registration of all relevant filings with the Administration for Industry and Commerce of the PRC of the respective province. Pursuant to the Securities Law of the PRC, a formal decision in respect of the application for setting up of a securities company should be made and be informed to the applicant within 6 months from the date of application. The JV Company will be principally engaged in securities brokerage, underwriting and sponsor services, proprietary trading, asset management, advisory on securities, direct investment and other related businesses approved by the CSRC. The Preparatory Group will recruit suitable candidate/expertise for the JV Company when approval is granted by CSRC. The appointment of the directors, supervisors and senior executive is subject to the prior approval/confirmation of the CSRC.



Under the special regime provided in Supplement X of the CEPA (“**The Mainland and Hong Kong Closer Economic Partnership Arrangement**”), Hong Kong-funded financial institutions which satisfy the requirements for establishing foreign-invested securities companies may set up one new full-licensed joint venture securities company in accordance with the relevant requirements in certain reform experiment zones for “piloting financial reforms” as approved by the PRC.

The PRC joint venture shareholders are not restricted to securities companies and the percentage of aggregate equity interest of the Hong Kong-funded financial institutions in the joint venture should not exceed 49%.

***Registered capital and Capital Contribution***

Pursuant to the JV Agreement, the registered capital of the JV Company is expected to be RMB2 billion (equivalent to approximately HK\$2.26 billion), which will be contributed by the JV Shareholders in cash as follows:

	<b>Amount of Capital Contribution (RMB)</b>	<b>Percentage of equity interest in the JV Company (%)</b>
China Kweichow Moutai	770,000,000	38.5
Huakang Insurance	400,000,000	20.0
Black Marble Securities	380,000,000	19.0
FS Financial Holding	150,000,000	7.5
Shijiazhuang Changshan Textile	150,000,000	7.5
Zhuhai ZhengBang Logistics	150,000,000	7.5
Total	<u>2,000,000,000</u>	<u>100.0</u>

Capital Contribution will be made by the JV Shareholders in two instalments. Initially, the JV Shareholders will contribute 5% of their respective Capital Contribution in respect of the registered capital as a refundable deposit subject to certain conditions and paid to the Preparatory Group’s designated account within 10 business days after the payment notice is issued by the Preparatory Group, whereas the remaining 95% of the registered capital will be paid by the JV Shareholders after the JV Company’s application to carry out the proposed business in the PRC is approved by CSRC, and paid to the JV Company’s designated account within 20 business days after the payment notice is issued by the JV Company.

The amount of the Capital Contribution was determined after arm’s length negotiation among the JV Shareholders to the JV Agreement, with reference to the business prospects as well as development potential of the JV Company and the capital requirement of its business development. Black Marble Securities’s share of the Capital Contribution is determined in accordance with its percentage of equity interest in the JV Company, which was determined after arm’s length negotiation with the other JV Shareholders. The total amount of the Capital Contribution could be amended on request from the CSRC and as agreed by all the JV Shareholders.



The JV Company will be held responsible for its debt with its entire assets, whereas each of the JV Shareholders will be held responsible to the JV Company to the extent of their respective Capital Contribution.

In case the relevant regulatory approvals are not granted subsequently, the JV Agreement and the Supplementary Agreement are expected to be terminated after consents from all JV Shareholders are obtained in writing. The refundable deposit would be refunded by the Preparatory Group to the JV Shareholders.

Each of the JV Shareholders shall obtain consent from the other JV Shareholders and approval from the relevant government department in the PRC if any of the JV Shareholders intends to transfer the entire or part of their equity interests in the JV Company to third party other than the JV Shareholders (the “**Transfer Interests**”). Each of the JV Shareholders shall have the pre-emptive right to acquire the Transfer Interests.

### ***Board composition and the management structure of the JV Company***

The board of directors of the JV Company will consist of nine members. China Kweichow Moutai is entitled to nominate four directors, and each of Huakang Insurance, Black Marble Securities, FS Financial Holding, Shijiazhuang Changshan Textile and Zhuhai ZhengBang Logistics is entitled to nominate one director. The JV Chairman, who will also act as the legal representative of the JV Company, will be appointed by China Kweichow Moutai. A general manager, who will be mainly responsible for the management of the operation of the JV Company and report to the board of directors of the JV Company will be nominated by Huakang Insurance. The JV Company will also form a supervision committee which will consist of five members. Each of China Kweichow Moutai, Huakang Insurance and Black Marble Securities is entitled to nominate one supervisor, and the employee representative is entitled to nominate two supervisors. The chairman of the supervision committee will be nominated by Black Marble Securities.

### ***Distribution of profit and the remaining assets***

The profit and the remaining assets of the JV Company, where applicable and if any, will be distributed to the JV Shareholders in proportion to their respective Capital Contribution, in the case of the JV Company is to be liquidated.

### ***Breach of contract***

If any of the JV Shareholders fails to timely make its respective Capital Contribution in accordance with the JV Agreement, the breaching JV Shareholder shall revoke the qualification as JV Shareholder and the Preparatory Group have the rights to handle the shareholding of the breaching JV Shareholder. If the JV Agreement cannot be performed or cannot be fully performed due to the default of any JV Shareholder, the defaulting JV Shareholder shall be held liable to the other JV Shareholders for the loss.

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

Owing to the nature of securities brokerage, margin financing and money lending business, the Group expects to utilize the balance of the net proceeds from Rights Issue of approximately HK\$ 22.8 million to meet the expected increase in general working capital requirement for the next 12 month from the date of this announcement.

In view of (i) the Group's business strategy in pursuing further development in financial sector in the PRC; (ii) recent development, performance and contribution of the Group's securities brokerage, margin financing and money-lending businesses to the Group's operation; 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, 2 commercial banks, and 3 financial institutions for financing its business expansion, however, such principal banker and 2 commercial banks, and 3 financial institutions 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\$101.3 millions at 30 June 2016, 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 favorable 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.

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, with the internal funding available at the Company and including the net proceeds to be raised from the Rights Issue, the total of which shall be sufficient for the Group's expected funding requirements for the next 12 months. In addition, as at the date of this announcement, save for the Rights Issue, the Company did not have any immediate plan or was not contemplating to have further fund raising for at least the next twelve months for financing its business or investments and any other potential projects or transactions of the Company.

## **WARNING OF THE RISKS OF DEALING IN THE SHARES AND/OR NIL-PAID RIGHTS SHARES**

**Shareholders and potential investors should note that the Rights Issue is subject to the satisfaction of certain conditions as described under the section headed "Conditions of the Rights Issue" in this announcement. In particular, it is conditional upon the Underwriting Agreement having become unconditional and the Underwriter 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 New Shares (as the case may be) and/or nil-paid Rights Shares.**

**Shareholders should note that the New Shares will be dealt in on an ex-rights basis commencing from Friday, 28 April 2017 and that dealings in Rights Shares in the nil-paid form will take place from 9 a.m. on Monday, 15 May 2017 to 4 p.m. on Monday, 22 May 2017 (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 New Shares (as the case may be) and/or nil-paid Rights Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholder or other person contemplating any dealings in the Shares or the New Shares (as the case may be) and/or nil-paid Rights Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.**

## EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation and Rights Issue and the associated trading arrangement is set out below:

Expected date of despatch of the Circular, notice and proxy form of the SGM .....	Monday, 3 April 2017
Latest time for lodging transfer of shares to qualify for attendance and voting at SGM .....	4:30 p.m., on Wednesday, 19 April 2017
Closure of register of members of the Company for attending the SGM (both dates inclusive) .....	Thursday, 20 April 2017 to Wednesday, 26 April 2017
Latest time for lodging forms of proxy for the purpose of the SGM. ....	10:00 a.m. on Monday, 24 April 2017
Expected date and time of the SGM .....	10:00 a.m. on Wednesday, 26 April 2017
Announcement of poll results of SGM .....	Wednesday, 26 April 2017
Effective date of the Capital Reorganisation .....	Thursday, 27 April 2017
First day for free exchange of existing share certificates for new share certificates .....	Thursday, 27 April 2017
Commencement of dealing in New Shares .....	9:00 a.m. Thursday, 27 April 2017
Last day of dealings in the New Shares on a cum-rights basis relating to the Rights Issue. ....	Thursday, 27 April 2017
Commencement of dealings in the New Shares on an ex-rights basis relating to the Rights Issue .....	Friday, 28 April 2017
Latest time for the Shareholders to lodge transfer of New Shares in order to qualify for the Rights Issue .....	4:30 p.m., on Tuesday, 2 May 2017
Closure of register of members of the Company for the Rights Issue (both dates inclusive). ....	Thursday, 4 May 2017 to Wednesday, 10 May 2017
Rights Issue Record Date. ....	Wednesday, 10 May 2017

Register of members of the Company re-opens . . . . .	Thursday, 11 May 2017
Despatch of Prospectus Documents . . . . .	Thursday, 11 May 2017
First day of dealings in nil-paid Rights Shares . . . . .	9:00 a.m., on Monday, 15 May 2017
Latest time for splitting nil-paid Rights Shares . . . . .	4:30 p.m., on Wednesday, 17 May 2017
Last day of dealings in nil-paid Rights Shares. . . . .	4:00 p.m., on Monday, 22 May 2017
Latest time for acceptance of, and payment for, the Rights Shares . . . . .	4:00 p.m., on Thursday, 25 May 2017
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional . . . . .	4:00 p.m., on Monday, 29 May 2017
Last day for free exchange of existing share certificates for new share certificates . . . . .	Friday, 2 June 2017
Announcement of results of the Rights Issue. . . . .	Monday, 5 June 2017
Refund cheques, if any, to be despatched (if the Rights Issue is terminated and Certificates for fully paid Rights Shares to be despatched on or before . . . . .	Tuesday, 6 June 2017
Commencement of dealings in fully-paid Rights Share. . . . .	9:00 a.m., on Wednesday, 7 June 2017

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

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

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

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

## WARNING

Shareholders and potential investors should note that the Capital Reorganisation is conditional upon satisfaction of conditions precedent set out in the paragraph headed “Conditions of the Capital Reorganisation” above. Therefore, the Capital Reorganisation may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

## 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:

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

Shareholders	As at the date of this announcement		Upon Completion of the Rights Issue			
			Assuming except Mr. Mak's Undertaking, no Qualifying Shareholders take up their respective entitlements under the Rights Issue		Assuming full subscription by the Qualifying Shareholders as to their respective entitlements under the Rights Issue	
			<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
<b>Directors</b>						
Mr. Mak ( <i>Note 1</i> )	217,072,320	9.4%	217,072,320	3.1%	651,216,960	9.4%
Lai Shu Fun, Francis Alvin ( <i>Note 2</i> )	180,000,000	7.8%	180,000,000	2.6%	540,000,000	7.8%
Other public Shareholders	1,906,151,817	82.8%	1,906,151,817	27.6%	5,718,455,451	82.8%
Black Marble Securities and its close associates, sub-underwriter(s) and subscriber(s) procured by the Underwriter (if any) ( <i>Note 3</i> )	–	–	4,606,448,274	66.7%	–	–
<b>Total</b>	<b>2,303,224,137</b>	<b>100%</b>	<b>6,909,672,411</b>	<b>100%</b>	<b>6,909,672,411</b>	<b>100%</b>

1. Mr. Mak, an executive Director and Chairman of the Board, is interested in 217,072,320 Shares.

Mr Mak irrevocably undertakes to the Company and the Underwriter that he will not, within the period commencing from the date hereof 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 or New 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.

2. Mr Francis Alvin, Lai Shu Fun is interested in 180,000,000 Shares through Opus Asset Management Limited, which in turn holds Opus Financial Group Limited, which in turn holds Opus Financial Holdings Limited, which in turn holds Opus International Advisors Limited, which in turn holds Opus Platinum Growth Fund, which in turn holds Opus Strategic International Limited, which in turn holds Strategic Apex Limited, which in turn holds the Company for the same number of Shares.
3. The Underwriter irrevocably undertakes to the Company that if the Underwriter or any of the Sub-Underwriter is required to take up the Rights Shares pursuant to their underwriting/ sub-underwriting obligations:
  - (a) the Underwriter shall not subscribe for any Rights Shares or become a Shareholder directly or indirectly after completion of the Rights Issue and shall procure the Sub-Underwriters and/or other subscribers to take up all the Untaken Shares;
  - (b) the Underwriter will not trigger a mandatory offer obligation under Rule 26 of Takeovers Code on the part of the Underwriter in respect of performing its obligations hereunder;
  - (c) The Underwriter shall and shall cause the Sub-Underwriter to procure subscribers 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;
  - (d) none of the persons to be procured by the Underwriter to subscribe for the Untaken Shares will be holding 10% or more of the total issued shares of the Company immediately after completion of the Rights Issue; and
  - (e) The Underwriter shall use its reasonable endeavours to ensure that the Sub-Underwriters and the subscribers for the Untaken Shares are independent of and not connected with the Company and its connected persons.

As at the date of this announcement, Mr. Mak is interested in 217,072,320 Shares while his close associates do not hold any Shares. Black Marble Securities and its close associates do not hold any Shares.



## FUND RAISING ACTIVITY IN THE PAST 24 MONTHS

Save as disclosed below, the Company has conducted an equity fund raising activities in the past twenty-four months immediately preceding the date of this announcement. Set out below is the details of the Previous Open Offer and Previous Rights Issue which was completed on 17 December 2015 and 21 September 2016, respectively:

<b>Date of announcement</b>	<b>Fund raising activity</b>	<b>Net proceeds raised (approximately)</b>	<b>Proposed use of net proceeds</b>	<b>Actual use of proceeds as at the date of this announcement</b>
29 June 2016	Previous Rights Issue	HK\$301 million	<ul style="list-style-type: none"> <li>(i) approximately HK\$150 million for the seed capital investment and operation in the asset management company;</li> <li>(ii) approximately HK\$80 million for developing the finance lease business in the PRC; and</li> <li>(iii) remaining balance for general working capital of the Group.</li> </ul>	<ul style="list-style-type: none"> <li>(i) approximately HK\$150 million injected into the fund and operation in the asset management company;</li> <li>(ii) will be fully settled in March 2017 and utilised as planned; and</li> <li>(iii) utilised HK\$30 million and HK\$41 million for general working capital of the securities firm and the money-lending firm, respectively.</li> </ul>
14 August 2015	The Previous Open Offer	HK\$422 million	<ul style="list-style-type: none"> <li>(iv) approximately HK\$288 million for the investment in securities and brokerage and margin financing;</li> <li>(v) approximately HK\$117 million for the operation of the money-lending business in Hong Kong; and</li> <li>(vi) remaining balance for general working capital of the Group</li> </ul>	<ul style="list-style-type: none"> <li>(i) approximately HK\$288 million was used for investment in securities and brokerage and margin financing;</li> <li>(ii) approximately HK\$117 million was used for the operation of the money-lending business in Hong Kong;</li> <li>(iii) fully utilized for general working capital of the Group.</li> </ul>

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

According to the prospectus of the Company dated 25 August 2016 in relation to the Previous Rights Issue of 1,535,482,758 rights shares, immediately prior to completion of the Previous Rights Issue, public shareholders of the Company held 902,713,184 shares of the Company (the “**Initial Public Shareholding**”), representing approximately 23.51% of the then total number of issued shares of the Company, being 767,741,379 shares.

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

	Issued number of Shares of the Company	Initial Public Shareholding to the issued share capital of the Company <i>Number of shares/ (Approximate %)</i>	Dilution effects  <i>(Approximate %)</i>	Cumulative dilution effects  <i>(Approximate %)</i>
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 prior to completion of the Previous Rights Issue	767,741,379	180,542,636 (23.51%)	66.67%	91.67%
Immediately after Completion of the Previous Rights Issue	2,303,224,138	180,542,636 (7.84%)	66.67%	91.67%
Immediately after Completion of the Rights Issue <i>(Note 1)</i>	6,909,672,413	180,542,636 (2.61%) <i>(Note 2)</i>	66.67% <i>(Note 3)</i>	97.22% <i>(Note 3)</i>

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

	Subscription 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 <i>(Approximate %)</i>	Dilution effects on shareholding <i>(Approximate %)</i>	Dilution effect on share price after taking into account the discount on share price effect and the dilution effect on shareholding <i>(Approximate %)</i>
Previous Open Offer	HK\$0.15	HK\$0.470	68.09%	75%	51.06%
Previous Rights Issue	HK\$0.20	HK\$0.550	63.64%	66.67%	42.42%
Rights Issue	HK\$0.10	HK\$0.180	44.44%	66.67%	29.63%

*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. 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 Previous Rights Issue, the Initial Public Shareholding decreased to approximately 7.84% from approximately 23.51%, which represents dilution effect of approximately 66.67%.
3. Immediately prior to completion of the Previous Rights Issue, the Initial Public Shareholding accounted for approximately 7.84% of the issued share capital of the Company. Following the completion of the Previous Rights Issue and the Rights Issue, the Initial Public Shareholding decreased to approximately 2.61% from approximately 7.84%, which represents dilution effect of approximately 66.67%.
4. Therefore, as stated as above, if the Initial Public Shareholding does not participate in the Previous Open Offer and Previous Rights Issue and the Rights Issue, the cumulative dilution effects on their shareholding interests would be approximately 97.22%.

## **LISTING RULES IMPLICATIONS**

In accordance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue. As at the date of this announcement, the Company does not have any controlling Shareholder, whilst Mr. Mak, being an executive Director and Chairman of the Board, holds 217,072,320 Shares, are required to abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the SGM.

## **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Board has established an Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lam Chak Man, Mr. Ye Jianxin, Mr. Chern Shyh Feng and Mr. Hsu Hong Te, to advise the Independent Shareholders in connection with the Rights Issue, 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. An Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in these regards. An announcement will be made upon the appointment of the Independent Financial Adviser.

## **GENERAL**

An SGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other matters, the Capital Reorganisation and the Rights Issue. The Circular containing, *inter alias*, (i) further details of the Capital Reorganisation and Rights Issue, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue, (iii) a letter of advice from The Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the SGM and the related proxy form will be despatched by the Company to the Shareholders on or before Monday, 3 April 2017.

## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 29 December 2016 in relation to the JV 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
“Capital Reduction”	a reduction of the issued share capital of the Company by reducing the par value of each issued Share from HK\$0.50 to HK\$0.01 per issued Share comprised of a cancellation of such amount of the paid-up capital on each issued Share and an extinguishment and reduction of any part of the capital not paid up on any issued Shares so that each existing issued Share will be treated as one fully paid up share of par value of HK\$0.01 each in the share capital of the Company
“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company involving the Capital Reduction and the Share Subdivision
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular to be issued by the Company in relation to, among others, the Rights Issue
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)

“Company”	Lerado Financial Group Company Limited 隆成金融集團有限公司, a company incorporated in the Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (Stock Code: 1225)
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Director(s)”	director(s) of the Company for the time being
“EAF(s)”	the form(s) of application for excess Rights Shares proposed to be issued to the Qualifying Shareholders in such form as may be agreed between the Company and the Underwriter
“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
“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
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company for the purpose of giving recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“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
“JV Agreement”	the agreement entered into among the JV Shareholders on 29 December 2016 in relation to the Proposed JV Formation

“Last Trading Day”	14 March 2017, being the date of the Underwriting Agreement
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 25 May 2017 (or such later time or date as may be agreed between the Underwriter 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 Monday, 29 May 2017 (being the second Business Day after the Latest Time for Acceptance such later time or date as may be agreed between the Underwriter 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. Mak”	Mr. Mak Kwong Yiu, chief executive officer and an executive Director and Chairman of the Board
“Mr. Mak’s Undertaking”	the irrevocable undertaking given by Mr. Mak in favour of the Company and Black Marble Securities, further details of which are set out in the paragraph headed “Mr. Mak’s Undertaking” in this announcement
“New Shares”	ordinary share(s) with par value of HK\$0.01 each in the share capital of the Company immediately following the Capital Reorganisation becoming effective
“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
“Overseas Shareholders”	the Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong



“PAL(s)”	the renounceable provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“Previous Open Offer”	open offer on the basis of 3 offer shares for every 1 share at the subscription price of HK\$0.15 per offer share as announced by the Company on 14 August 2015
“Previous Rights Issue”	rights issue on the basis of 2 rights shares for every 1 consolidated share of par value HK\$0.50 each at the subscription price of HK\$0.20 per rights share as announced by the Company on 29 June 2016 and completed on 21 September 2016
“Previous Rights Shares”	an aggregate of 1,535,482,758 ordinary share(s) with par value of HK\$0.50 each in the share capital of the Company allotted and issued pursuant to the Previous Rights Issue
“Proposed JV Formation”	the proposed formation of the JV Company by the JV Shareholders
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s) in respect of the Rights Shares to be issued by the Company in relation to the Rights Issue
“Prospectus Posting Date”	Thursday, 11 May 2017 or such other date as the Underwriter may agree in writing with the Company for the despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Non-Qualifying Shareholders for information only (as the case may be)
“Qualifying Shareholders”	the Shareholders, other than the Non-Qualifying Shareholders, whose names appear on the register of members of the Company on the Record Date

“Rights Share(s)”	4,606,448,274 New 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) New Share held on the Record Date and payable in full on acceptance pursuant to the terms and subject to the conditions set out in the Underwriting Agreement and to be set out in the Prospectus
“Rights Issue”	the proposed issue by way of rights issue to the Qualifying Shareholders for the Rights Shares at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and to be set out in the Prospectus
“Record Date”	Wednesday, 10 May 2017 or such other date as may be agreed between the Company and the Underwriter for the determination of the entitlements under the Rights Issue
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and approve, among other things, the Capital Reorganisation and the Rights Issue and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) with par value of HK\$0.50 each in the share capital of the Company prior to the Capital Reorganisation becoming effective
“Shareholder(s)”	holder(s) of the Share(s) or New Shares
“Share Subdivision”	following the Capital Reduction, the proposed sub-division of each authorised but unissued Share of HK\$0.50 par value each into fifty (50) unissued New Shares of the Company of HK\$0.01 par value each

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the issue price of HK\$0.10 per Rights Share at which the Rights Shares are proposed to be offered for subscription under the Rights Issue
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriter”	Black Marble Securities, being an indirect wholly-owned subsidiary of the Company
“Underwriting Agreement”	the underwriting agreement dated 14 March 2017 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	all the Rights Shares (other than 434,144,640 Rights Shares undertaken to be taken up by Mr. Mak) being 4,172,303,634 Rights Shares (assuming there is no shares being issued or repurchased by the Company on or before the Record Date)
“Untaken Shares”	the Underwritten Shares which have not been taken up by the Qualifying Shareholders
“%”	per cent.

*For ease of reference and unless otherwise specified in this circular, sums in HK\$ and RMB in this circular have been translated at the rate RMB1.0 = HK\$1.13. This does not mean that HK\$ could be converted into RMB, or vice versa, based on such exchange rate.*

*# The English translation or transliteration of the Chinese name(s) in this circular, where indicated, is included for information purposes only, and should not be regarded as the official English name(s) of such Chinese name(s).*

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

Hong Kong, 14 March 2017

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