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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)

MAJOR TRANSACTION IN RELATION TO THE PROPOSED FORMATION OF A JOINT VENTURE SECURITIES COMPANY IN THE PRC

FORMATION OF A JOINT VENTURE SECURITIES COMPANY IN THE PRC

The Board is pleased to announce that on 29 December 2016, 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.

Pursuant to the JV Agreement, the JV Company shall be, after its establishment, owned as to 19% by Black Marble Securities, 38.5% by China Kweichow Moutai, 20% by Huakang Insurance, 7.5% by FS Financial Holding, 7.5% by Shijiazhuang Changshan Textile and 7.5% by Zhuhai ZhengBang Logistics. The registered capital of the JV Company is expected to be RMB2 billion, which will be contributed by Black Marble Securities, China Kweichow Moutai, Huakang Insurance, FS Financial Holding, Shijiazhuang Changshan Textile and Zhuhai ZhengBang Logistics in the respective amounts of RMB380 million, RMB770 million, RMB400 million, RMB150 million, RMB150 million and RMB150 million.

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.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the capital commitment of Black Marble Securities under the JV Agreement are more than 25% but less than 100%, the entering into of the JV Agreement and the Supplementary Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

GENERAL

A SGM will be convened for the Shareholders to consider and, if thought fit, approve the JV Agreement and the Supplementary Agreement and the transactions contemplated thereunder.

To the best of the Directors' information, knowledge and belief having made all reasonable enquiries, as at the date of this announcement, no Shareholders or any of their respective associates has any material interest in the JV Agreement and the Supplementary Agreement and the transactions contemplated thereunder that is materially different from the other Shareholders. As such, no Shareholder is required to abstain from voting on the resolutions to be proposed at the SGM.

A circular containing, among other things, the information required under the Listing Rules in relation to the JV Agreement and the Supplementary Agreement will be dispatched to Shareholders as soon as practicable and in any event, no later than 15 business days after the date of this announcement in accordance with the Listing Rules.

As the JV Agreement, the Supplementary Agreement and the transactions contemplated thereunder is subject to the approval by the CSRC and other relevant regulatory authorities in the PRC, the transactions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

The Board is pleased to announce that 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.

THE JV AGREEMENT

The principal terms of the JV Agreement are summarised below:

Date

29 December 2016

Parties

- (1) Black Marble Securities;
- (2) China Kweichow Moutai;
- (3) Huakang Insurance;
- (4) FS Financial Holding;
- (5) Shijiazhuang Changshan Textile; and
- (6) Zhuhai ZhengBang Logistics.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, China Kweichow Moutai, Huakang Insurance, FS Financial Holding, Shijiazhuang Changshan Textile and Zhuhai ZhengBang Logistics are third parties independent of the Company and its connected persons.

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 (Guangdong 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. 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 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.

Registered capital and Capital Contribution

The registered capital of the JV Company is expected to be RMB2,000,000,000 (equivalent to approximately HK\$2,232,566,000), which will be contributed by the JV Shareholders in cash as follows:

	Amount of capital contribution (RMB)	Percentage of equity interest in the JV Company (%)
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.

The Company intends to fund the Capital Contribution by combination of either internal resources of the Group, fund raising activities, including but not limited to the placing of new shares, open offer, rights issue and/or bank facilities that may be obtained by the Group.

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.

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. JV Shareholders agreed to authorise China Kweichow Moutai and Huakang Insurance to form the Preparatory Group.

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 supervisors committee which will consist of five members. Each of China Kweichow Moutai, Huakang Insurance and Black Marble Securities is entitled to nominate one director, and the employee representative is entitled to nominate two directors. 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.

THE SUPPLEMENTARY AGREEMENT

The principal terms of the Supplementary Agreement are summarised below:

- (i) If the JV shareholder is a Hong Kong listed company or a subsidiary of a Hong Kong listed company, that the JV shareholder's investing transaction is required to comply with the Listing Rules. In particular, the JV Agreement, the Supplementary Agreement and the transactions contemplated hereunder should be subject to the announcement and/or the passing of the resolution(s) at the general meeting of the JV shareholder in accordance with the Listing Rules (if required). In the case the resolution(s) is not passed at the general meeting of the JV shareholder, that JV shareholder has the right to withdraw from the Proposed JV Formation;
- (ii) If all JV shareholders agreed to revoke the JV Agreement, a JV shareholder is no longer required to comply with the obligations under the JV agreement and is not liable to any compensation/claims as a result; and
- (iii) the refundable deposit will be returned by the Preparatory Group to the JV Shareholders within 10 days after the vetoed result of the resolution(s) at the general meeting of the JV shareholder has been delivered to the Preparatory Group in writing.

REASONS FOR AND BENEFITS OF THE PROPOSED JV FORMATION

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

As disclosed in the 2015 annual report of the Company dated 27 April 2016, the Company will focus on existing businesses and investment in securities market, and wish to participate in providing other financial services, including but not limited to providing corporate finance, asset management, financial planning services, which can leverage with the Group's existing financial sectors and aim at extending financial businesses to the market of Mainland China.

The Directors consider that through the JV Company, the Group will be able to tap into the financial services market in the PRC and capture any opportunities arising from the increasing investment and fund raising demand in the PRC. The JV Company can bring synergy effects to the Group's existing securities brokerage business and leverage with the Group's other financial businesses.

The Directors consider that the terms of the JV Agreement and the Supplementary Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE JV SHAREHOLDERS

Black Marble Securities is a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of the Company. Black Marble Securities is principally engaged in dealing in securities, a type 1 regulated activity under the SFO.

China Kweichow Moutai is a company incorporated in the PRC and is one of the shareholders of Kweichow Moutai Co., Ltd. (貴州茅台酒股份有限公司), a state-owned enterprise listed in the Shanghai Stock Exchange (stock code: 600519). China Kweichow Moutai is principally engaged in manufacturing and selling wines and its related industries.

Huakang Insurance is a company incorporated in the PRC and is a professional insurance service provider which is principally engaged in provision of insurance and investment services and targeting on medium to high-end customers.

FS Financial Holding is a company incorporated in British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of First Shanghai Investments Limited (第一上海投資有限公司) which is listed in the Stock Exchange (stock code: 0227). FS Financial Holding is principally engaged in equity investments in licensed corporations registered under the SFO.

Shijiazhuang Changshan Textile is a company incorporated in the PRC and listed in the Shenzhen Stock Exchange (stock code: 000158). Shijiazhuang Changshan Textile is principally engaged in manufacturing and selling textile, and performing scientific research of textile.

Zhuhai ZhengBang Logistics is a company incorporated in the PRC and is principally engaged in logistic and promotion services for domestic and foreign high-end wines.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the capital commitment of Black Marble Securities under the JV Agreement are more than 25% but less than 100%, the entering into of the JV Agreement and the Supplementary Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, no Shareholders or any of their respective associates have any material interest in the JV Agreement, the Supplementary Agreement and the transactions contemplated thereunder. As such, no Shareholders are required to abstain from voting on the resolution to approve the JV Agreement and the transactions contemplated thereunder at the SGM.

A circular containing, among other things, the information required under the Listing Rules in relations to the JV Agreement and the Supplementary Agreement will be dispatched to Shareholders as soon as practicable and in any event, no later than 15 business days after the date of this announcement in accordance with the Listing Rules.

As the JV Agreement, the Supplementary Agreement and the transactions contemplated thereunder is subject to the approval by the CSRC and other relevant regulatory authorities in the PRC, the transactions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Black Marble Securities”	Black Marble Securities Limited, an indirect wholly-owned subsidiary of the Company and a licensed corporate to carry on business in Type 1 (dealing in securities) regulated activity under the SFO
“Board”	the board of Directors
“Capital Contribution”	the proposed capital contribution to the JV Company to be made by the JV Shareholders
“China Kweichow Moutai”	China Kweichow Moutai (Group) Distillery Co., Ltd. (中國貴州茅台酒廠(集團)有限責任公司), a company incorporated in the PRC and an independent third party, being one of the JV Shareholders to the JV Agreement
“CEPA”	Mainland and Hong Kong Closer Economic Partnership Arrangement
“CSRC”	China Securities Regulatory Commission

“Company”	Lerado Financial Group Company Limited, of which the shares are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“FS Financial Holding”	First Shanghai Financial Holding Limited (第一上海金融集團有限公司), a company incorporated in the British Virgin Islands with limited liability and an independent third party, being one of the JV Shareholders to the JV Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Huakang Insurance”	Huakang Insurance Agency Co., Ltd. (華康保險代理有限公司), a company incorporated in the PRC and an independent third party, being one of the JV Shareholders to the JV Agreement
“JV Agreement”	the agreement entered into among the JV Shareholders on 29 December 2016 in relation to the Proposed JV Formation
“JV Chairman”	the chairman of the board of directors of the JV Company
“JV Company”	a company proposed to be established in the PRC by the JV Shareholders under the JV Agreement
“JV Shareholders”	the shareholder(s) of the JV Company, namely Black Marble Securities, China Kweichow Moutai, Huakang Insurance, FS Financial Holding, Shijiazhuang Changshan Textile and Zhuhai ZhengBang Logistics
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China
“Proposed JV Formation”	the proposed formation of the JV Company by the JV Shareholders
“Preparatory Group”	a group will be formed to coordinate the application to CSRC for the license that needed to carry out the proposed business in the PRC. JV Shareholders agreed to authorise China Kweichow Moutai and Huakang Insurance to form the group
“RMB”	Renminbi, the lawful currency of the PRC

“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“SGM”	a special general meeting to be held by the Company to consider and, if thought fit, approve, among other things, the JV Agreement and the transactions contemplated thereunder
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shijiazhuang Changshan Textile”	Shijiazhuang Changshan Textile Co., Ltd. (石家莊常山紡織股份有限公司), a company incorporated in the PRC and an independent third party, being one of the JV Shareholders to the JV Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplementary Agreement”	the supplementary agreement entered into among the JV Shareholders on 29 December 2016 in relation to the Proposed JV Formation
“Zhuhai ZhengBang Logistics”	Zhuhai ZhengBang Logistics Co., Ltd* (珠海正邦倉儲物流有限公司), a company incorporated in the PRC and an independent third party, being one of the JV Shareholders to the JV Agreement
“%”	Per cent

By order of the Board
Lerado Financial Group Company Limited
Mak Kwong Yiu
Chairman and Chief Executive Officer

Hong Kong, 29 December 2016

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

* *for identification purpose only*