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If you have sold or transferred all your shares in Lerado Financial Group Company Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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Lerado Financial Group Company Limited

隆成金融集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1225)

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

Terms used in this cover shall have same meanings as defined in this circular.

A letter from the Board is set out on pages 4 to 13 of this circular. A notice convening the SGM to be held at Portion 2, 12/F., The Centre, 99 Queen's Road Central, Central, Hong Kong, on Monday, 20 February 2017 at 9:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the SGM, together with the reply slip, is enclosed with this circular.

Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish but the authority of your proxy will be invalidated forthwith.

3 February 2017

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Appendix I – Financial Information of the Group	I-1
Appendix II – General information	II-1
Notice of SGM	SGM-1

DEFINITIONS

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

“Announcement”	The announcement of the Company dated 29 December 2016 in relation to the JV Agreement
“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
“CEPA”	Mainland and Hong Kong Closer Economic Partnership Arrangement
“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
“Company”	Lerado Financial Group Company Limited, of which the shares are listed on the Main Board of the Stock Exchange
“CSRC”	China Securities Regulatory Commission
“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

DEFINITIONS

“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
“Latest Practicable Date”	31 December 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China
“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 from the preparatory group
“Proposed JV Formation”	the proposed formation of the JV Company by the JV Shareholders
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)

DEFINITIONS

“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

LETTER FROM THE BOARD



Lerado Financial Group Company Limited

隆成金融集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1225)

Executive Directors:

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

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Independent Non-Executive Directors:

Mr. LAM Chak Man
Mr. YE Jianxin
Mr. CHERN Shyh Feng
Mr. HSU Hong Te

Principal Place of Business in

Hong Kong:

Unit 1-3, 30/F.
Universal Trade Centre
3-5A Arbuthnot Road
Central, Hong Kong

3 February 2017

To the Shareholders,

Dear Sirs,

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

INTRODUCTION

Reference is made to the Announcement.

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.

LETTER FROM THE BOARD

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.

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 and the Supplementary 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.

The purpose of this circular is to provide you with, among other things, particulars of the JV Agreement, the Supplementary Agreement and the transaction contemplated under the JV Agreement and the Supplementary Agreement.

THE JV AGREEMENT

The principal terms of the JV Agreement are summarised below:

Date

29 December 2016

JV Shareholders

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

LETTER FROM THE BOARD

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 (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 circular, 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, 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%.

LETTER FROM THE BOARD

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	<u>150,000,000</u>	<u>7.5</u>
Total	<u><u>2,000,000,000</u></u>	<u><u>100.0</u></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 Company considers the percentage equity interest to be fair and reasonable and in the interest of the Company and the Shareholders as a whole. The total amount of the Capital Contribution could be amended on request from the CSRC and as agreed by all the JV Shareholders. In case the total amount of the Capital

LETTER FROM THE BOARD

Contribution is to be increased, the maximum amount of the Capital Contribution by Black Marble Securities will be limited to RMB380 million. As such, the entering into of the JV Agreement and the Supplementary Agreement shall remain a major transaction of the Company under Chapter 14 of the Listing Rules.

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.

Taking into account of the financial position of the Group, the Company currently intends to substantially fund its share of the Capital Contribution by fund raising activities, including but not limited to equity and/or debt financing. As at the date of this circular, the Company has approached a few underwriters for potential fund raising activities; however, no concrete funding plans are in place.

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, 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.

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

LETTER FROM THE BOARD

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.

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 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(s) 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 shareholders 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.

LETTER FROM THE BOARD

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 JV Company will develop its business and clientele with the resources and experiences from the JV Shareholders which are based in the PRC and Hong Kong respectively. Each of the JV Shareholders have their own potential customers.

At this stage, the formation of the JV Company is still in progress, and the JV Shareholders are still discussing the detailed development plan of the JV Company. It is a current plan of the JV Company to focus in Guangzhou area as Huakang Insurance and Zhuhai ZhengBang Logistics have experiences and connections in the Pearl River Delta region. In particular, Huakang Insurance has established service centres for the provision of insurance and investment services in more than 20 provinces and 200 cities in the PRC, including but not limited to cities in the Pearl River Delta region, while Zhuhai ZhengBang Logistics has established businesses such as wine promotion and logistics in the city of Zhuhai. In case the JV Company is to develop in other cities first, the JV Company will hire appropriate senior management or develop strategic relationships with local business partners where appropriate.

Meanwhile, the JV Shareholders have not discussed in concrete about the precise timetable for the future development plan, which will be substantially dependent on the overall performance of the JV Company and the global economic situation, and/or how to identify the potential customers for the JV Company.

However, although approval from Ministry of Commerce of the PRC and registration and filings with the Administration for Industry and Commerce of the PRC are required, no further approval from CSRC is required if the JV Company is to set up branch offices instead of a corporation in other locations, it is anticipated that the JV Company will prefer to set up branch offices in other larger cities in the PRC if it decides to expand its business in the future.

LETTER FROM THE BOARD

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 indirectly 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 on the Shanghai Stock Exchange (stock code: 600519). China Kweichow Moutai is a wholly state-owned enterprise established under the laws of the PRC, which is principally engaged in the manufacturing and selling of wines and its related industries.

Huakang Insurance is a company incorporated in the PRC and is a subsidiary of Qianhai Xinhukang Financial Holdings (Shenzhen) Limited* (also known as “Huakang Financial Holdings Group”)(前海新華康金融控股(深圳)有限公司). Huakang Insurance is a professional insurance service provider which principally engaged in provision of insurance and investment services and targeting on medium to high-end customers. Mr. Wang Zhen Wu is the ultimate beneficial owner of Huakang Insurance and the chairman of Huakang Financial Holdings Group.

FS Financial Holding is a company incorporated in the British Virgin Islands with limited liabilities and is an indirect wholly-owned subsidiary of First Shanghai Investments Limited (第一上海投資有限公司), a company listed on the Stock Exchange (stock code: 0227). According to the interim report for the six months ended 30 June 2016 issued by First Shanghai Investments Limited, China Assets (Holdings) Limited, Mr. Lo Yuen Yat, Ms. Chan Chiu, Joy and Mr. Yin Jian, Alexander are substantial shareholders of First Shanghai Investments Limited. 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 on the Shenzhen Stock Exchange (stock code: 000158). According to the 2016 third quarterly financial report issued by Shijiazhuang Changshan Textile, Shijiazhuang Changshan Textile Holdings Group Limited (石家莊常山紡織集團有限責任公司), which is a wholly state-owned enterprise established under the laws of the PRC, and Beijing Beiming Weiye Holdings Limited* (北京北明偉業控股有限公司) are substantial shareholders of Shijiazhuang Changshan Textile. Shijiazhuang Changshan Textile is principally engaged in the manufacturing and selling of 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. Mr. Lin Yong Hui is the ultimate beneficial owner of Zhuhai ZhengBang Logistics.

LETTER FROM THE BOARD

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, and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

FINANCIAL EFFECTS OF THE FORMATION OF THE JV COMPANY

Effect on assets and liabilities of the Group

Based on the unaudited consolidated financial statements of the Company for the period ended 30 June 2016, the total assets and total liabilities of the Group were approximately HK\$2,032 million and HK\$356 million respectively. Assuming the JV Company had been established and Capital Contribution of RMB380 million (equivalent to approximately HK\$424 million) into the JV Company had been made by Black Marble Securities, the total assets of the Group would be impacted as follows:

- (i) an increase in the Group's investment in an associate of RMB380 million (equivalent to approximately HK\$424 million) when the respective Capital Contribution of approximately HK\$424 million into the JV Company by Black Marble Securities had been made, using the equity method to account for such investment in the JV Company; and
- (ii) The Company intends to substantially fund its share of the Capital Contribution by fund-raising activities, including but not limited to equity and/or debt financing. As such, the impact on the Group's cash and bank balance and/or Shareholders' equity would depend on the actual settlement of its share of the Capital Contribution of RMB380 million (equivalent to approximately HK\$424 million) to be made into the JV Company.

Effect on earnings of the Group

Based on the unaudited consolidated financial statements of the Company for the period ended 30 June 2016, the Group recorded a net loss attributable to owners of the Company of approximately HK\$98 million. Assuming the JV Company had been established and the respective Capital Contribution of RMB380 million (equivalent to approximately HK\$424 million) made by Black Marble Securities into the JV Company had been fully financed by the Group's internal resources and/or fund raising activities, it is expected that the share of 19% of the net results of the JV Company will be taken up by the Group after the Completion. As such, the impact on the earnings of the Group would depend on the actual financial performance of the JV Company in the future.

LETTER FROM THE BOARD

RECOMMENDATION

Having considered the above, the Board considers that the entering the JV Agreement and the Supplementary Agreement by Black Marble Securities has been made on normal commercial terms and conditions, and that such terms and conditions are fair and reasonable and are in the interest of the Company and the Shareholders as a whole and would recommend the Shareholders to vote in favour of the resolutions to approve the Proposed JV Formation.

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 and the Supplementary 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 circular, 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, the Supplementary Agreement and the transactions contemplated thereunder at the SGM.

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.

FURTHER INFORMATION

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

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

* for identification purpose only

1. CONSOLIDATED FINANCIAL STATEMENTS

Audited financial information of the Group for each of the years ended 31 December 2015, 31 December 2014 and 31 December 2013 was disclosed in the annual report of the Company published on 27 April 2016, 28 April 2015 and 21 March 2014, respectively, on both the website of the Stock Exchange (www.hkenews.hk) and the Company (www.lerado.com).

Unaudited interim financial information of the Group for each of the six months ended 30 June 2016, 30 June 2015 and 30 June 2014 was disclosed in the interim reports of the Company published on 19 September 2016, 25 September 2015 and 12 September 2014, respectively, on both the website of the Stock Exchange (www.hkenews.hk) and the Company (www.lerado.com).

2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The principal activities of the Group included the provision of 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 2015 annual report of the Company, revenue of the Group amounted to approximately HK\$176.7 million for the year ended 31 December 2015. Gross profit and net profit for the Group amounted to approximately HK\$48.6 million and approximately HK\$295.2 million respectively for the year ended 31 December 2015. Total assets and total equity amount to approximately HK\$2,418.0 million and approximately HK\$1,774.6 million respectively as at 31 December 2015.

Going forward, with a view to achieving better return and enhancing the expansion of the financial sectors of the Group, the Company will focus on 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.

3. INDEBTEDNESS STATEMENT

Unlisted bonds, bank borrowings, bank overdrafts and a term loan

At the Latest Practicable Date, the Group had aggregate outstanding borrowings comprising (i) unsecured and unguaranteed bonds of HK\$379,000,000; (ii) bank borrowings of approximately HK\$2,718,000 and bank overdraft of approximately HK\$1,980,000 secured by a property of the Group and guaranteed by a director of a subsidiary of the Group, (iii) bank borrowing of approximately HK\$1,871,000 and bank overdraft of approximately HK\$2,991,000 secured by properties owned by and guaranteed by a director of a subsidiary of the Group, (iv) bank borrowings of approximately HK\$916,000 unsecured and guaranteed by a director of a subsidiary of the Group and guarantee provided by the government of Hong Kong, and (v) an unsecured term loan of HK\$40,000,000 guaranteed by a corporate guarantee provided by the Company.

Authorised but unissued bonds

As at the Latest Practicable Date, the Group has issued unlisted and unsecured bonds of HK\$379 million as stated above. The bonds were issued pursuant to the placing agreements where the placing agents on a best effort basis arranged places to subscribe for the bonds with an aggregate principal amount of up to HK\$452 million. The unissued bonds pursuant to the placing agreements as at the Latest Practicable Date was HK\$73 million.

Contingent liabilities

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

During the year ended 31 December 2014, the Company, two of its wholly-owned subsidiaries and two of the Disposed Subsidiaries have been named as joint defendants together with, among others, Baby Trend, Inc. in a United States District Court on the alleged faulty design in a car seat manufactured by the Company under the contract with Baby Trend, Inc.. The next trial date has been set on 24 April 2017. The directors of the Company, after considering that this litigation is in its early stage and the outcome of the proceedings is uncertain, are of the opinion that no provision for any potential liability should be made.

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables in the ordinary course of the business, as at the Latest Practicable Date, the Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdraft or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the existing cash and bank balances, present internal resources available, the amount of investment to be invested into the JV Company and the estimated net proceeds from the proposed fund raising activity, the Group has sufficient working capital for its present requirements and for at least twelve months from the date of this circular in the absence of unforeseen circumstances.

In the event of the proposed fund raising activity is not carried out as planned, the Directors have considered a contingency plan of reallocating the Group's internal resources to fulfil its present requirements and the Group still has sufficient working capital for its present requirements and for at least twelve months from the date of this circular in the absence of unforeseen circumstances.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

Long and short positions in Shares

Name of Director	Number of Shares held as			Total interest (Note a)	Approximate percentage of issued share capital of the Company
	Beneficial owner	Spouse interest	Corporate interest		
Mr. Mak Kwong Yiu	217,072,320	-	-	217,072,320 (L)	9.40%

Note:

- (a) The Letter "L" denotes a long position.

Saved as disclosed above, as at as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange. None of the Directors is a director or employee

of a company which has an interest or short position in the shares and underlying shares of the issuer which would fall to be disclosed to the Company under provision of Division 2 and 3 of Part XV of the Securities and Futures Ordinance.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as known to the Directors and the chief executive of the Company, the persons (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital:

Name of Shareholder	Capacity	Number of issued ordinary shares held (Note a)	Percentage of the issued share capital of the Company
Mr. Lai Shu Fun, Francis Alvin (Note b)	Interest of a corporation controlled	180,000,000 (L)	7.82%
Opus Asset Management Limited (Note b)	Investment manager	180,000,000 (L)	7.82%
Opus Financial Group Limited (Note b)	Controlled corporation	180,000,000 (L)	7.82%
Opus Financial Holdings Limited (Note b)	Controlled corporation	180,000,000 (L)	7.82%
Opus International Advisors Limited (Note b)	Controlled corporation	180,000,000 (L)	7.82%
Opus Platinum Growth Fund (Note b)	Beneficial owner	180,000,000 (L)	7.82%
Opus Strategic International Limited (Note b)	Controlled corporation	180,000,000 (L)	7.82%
Strategic Apex Limited (Note b)	Controlled corporation	180,000,000 (L)	7.82%

Note:

- (a) The Letter “L” denotes a long position.
- (b) Opus Platinum Growth Fund is 100.00% beneficially owned by Opus Asset Management Limited, which is 100.00% beneficially owned by Opus International Advisors Limited, which is 100.00% beneficially owned by Opus Financial Group Limited, which is 100.00% beneficially owned by Opus Strategic International Limited, which is 100.00% beneficially owned by Opus Financial Holdings Limited, which is 40.03% beneficially owned by Strategic Apex Limited, which is 52.00% beneficially owned by Mr. Lai Shu Fun, Francis Alvin.

Save as disclose above, as at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying shares with would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

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

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

5. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group after the date two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the agreement dated 29 June 2016 entered into between the Company and the Black Marble Securities and Mr. Mak Kwong Yiu, an executive Director in relation to the underwriting arrangement in respect of the proposed issue by way of rights issue to the holder(s) of the ordinary share(s) of HK\$0.1 each in the share capital of the Company at the subscription price HK\$0.20 per rights share;
- (b) the settlement agreement dated 1 March 2016 entered into among, Lerado Group Limited, a wholly-owned subsidiary of the Company, as the seller, the Company, Zhongshan Lerado Qihang Trading Co., Ltd on the one part, and Maxi Miliaan BV as the buyer, Dorel Industries Inc. and Zhongshan Lerado Mfg Co. Ltd on the other part in relation to the dispute arising out of and in relation to the agreement dated 16 June 2014 entered into among the Company, a wholly-owned subsidiary of the Company, being the seller, and the buyers, being the independent third parties, in relation to the disposal of subsidiaries of the Company, and ancillary agreements between the parties, and the transaction contemplated therein;

- (c) the underwriting agreement dated 14 August 2015 entered into between the Company and Gransing Securities Co., Limited, as the underwriter, in relation to the underwriting arrangement in respect of the proposed issue by way of open offer on the basis of three offer shares for every one existing Share held on the record date;

Save as disclose above, no material contracts (not being contract entered into in the ordinary course of business) were entered into by members of the Group within two years immediately preceding up to and including the Latest Practicable Date.

6. NO MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there were no material adverse changes in the financial or trading positions of the Group since 31 December 2015, the date to which the latest published audited consolidated financial statements of the Group were made up.

7. MATERIAL LITIGATION

Apart from the litigation disclosed in the paragraph under the heading “Indebtedness Statement” in appendix I, as at the Latest Practicable Date, no member of the Group was engaged in other litigations or arbitration or claims which would materially and adversely affect the operations of the Company and no litigation, arbitration or claim which would materially and adversely affect the operations of the Company is known to the Directors to be pending or threatened by or against any member of the Group.

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any business or interests in business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

9. DIRECTORS’ INTEREST IN CONTRACTS AND ASSETS

Save as disclosed in this circular, none of the Directors are interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had any direct or indirect interest in any assets which have been, since 30 June 2016, the date to which the latest published unaudited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to the acquired or disposed of by, or leased to the Company or any of its subsidiaries.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Unit 1-3, 30/F., Universal Trade Centre, 3-5A Arbutnot Road, Central, Hong Kong for the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the three years ended 31 December 2013, 2014 and 2015;
- (c) the interim reports of the Company for the six months ended 30 June 2014, 2015 and 2016;
- (d) the service contract disclosed in the paragraph under the heading “Directors’ Service Contracts” in this appendix;
- (e) the material contracts referred to in the paragraph under the heading “Material Contracts” in this appendix; and
- (f) this circular.

11. MISCELLANEOUS

- (a) The principal activity of 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.
- (b) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (c) The registered office of the Company is situate at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (d) The Company’s branch share registrar in Hong Kong is Tricor Secretaries Limited which is situated at Level 22, Hopewell Centre 183 Queen’s Road East Hong Kong.
- (e) The principal share registrar of the Company is Codan Services Limited which is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

- (f) The principal place of business of all Directors and authorised representatives of the Company is situated at Unit 1-3, 30/F., Universal Trade Centre, 3-5A Arbuthnot Road, Central, Hong Kong.
- (g) The secretary of the Company is Man Yun Wah (“**Mr. Man**”). Mr. Man holds a Bachelor’s Degree in Business Administration and Management and a Master’s Degree in Corporate Governance. He is currently an associate member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries. Mr. Man has extensive working experience in the company secretarial profession.
- (h) The English text of this circular and the accompanying form of proxy shall prevail over the respective Chinese text in the case of inconsistency.

NOTICE OF SGM



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1225)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of the Lerado Financial Group Company Limited (the “**Company**”) will be held at Portion 2, 12/F., The Centre, 99 Queen’s Road Central, Central, Hong Kong on 20 February 2017, Monday, at 9:00 a.m., to consider and, if thought fit, pass the following ordinary resolutions (with or without modification):

ORDINARY RESOLUTIONS

“THAT:

- (a) the agreement and the supplementary agreement dated on 29 December 2016 (the “**JV Agreement**” and the “**Supplementary Agreement**”) between an indirectly wholly-owned subsidiary of the Company, Black Marble Securities and China Kweichow Moutai, Huakang Insurance, FS Financial Holding, Shijiazhuang Changshan Textile and Zhuhai ZhengBang Logistics in relation to the establishment of 廣東絲路證券股份有限公司, a joint venture company and be is hereby approved, confirmed and ratified; and
- (b) any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute and deliver all such documents, including under the seal of the Company, where applicable, as he/she/they may consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with the JV Agreement and the Supplementary Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 3 February 2017

NOTICE OF SGM

Notes:

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

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