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LERADO GROUP (HOLDING) COMPANY LIMITED

(隆成集團(控股)有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1225)

**ANNOUNCEMENT
INTERNAL CONTROL REVIEW**

Reference is made to the news release of the Stock Exchange dated 21 March 2013 (the “**News Release**”) in relation to, among others, the censure of the Company for its breaches of Rule 13.09 of the Listing Rules, and the announcements of the Company dated 23 May 2013 and 5 June 2013 (the “**Announcements**”) in relation to the appointment of the Adviser and the Internal Control Review. Unless otherwise defined, terms used in this announcement shall have the same meanings as used in the News Release and the Announcements.

The Adviser has conducted a follow-up review on the Company based on the First Report and the supplemental report submitted to the Stock Exchange on 3 June 2013 and issued a follow-up report (the “**Follow-up Report**”) on 19 July 2013 on the Company’s implementation of the recommendations made in the First Report. The Follow-up Report was submitted to the Stock Exchange on 19 July 2013. The findings of the Follow-up Report were:

- **The Group’s Inside Information Policy**

The Adviser noted that the Company has further enhanced the draft Inside Information Policy by incorporating the recommendations of the Adviser in the First Report. However, as at 19 July 2013, the Inside Information Policy has only been endorsed by the financial controller and company secretary but has not been formally approved by the Chairman and adopted by the Company. Thus, the Adviser considered that its recommendation in the First Report with regard to the Group’s Inside Information Policy has only been partially implemented.

- **The definition of Senior Management of the Group**

The Adviser noted that the Company has further enhanced the definition of “Senior Management” by incorporating the recommendations of the Adviser in the First Report in the draft Inside Information Policy. The Adviser considered that its recommendation in the First Report with regard to the definition of Senior Management has only been partially implemented as the Inside Information Policy has not been formally approved and adopted as at 19 July 2013.

- **Policies and procedures for monitoring the market expectation of the Group's performance and share price movements**

The recommendation of the Adviser in the First Report with regard to policies and procedures for monitoring the market expectation of the Group's performance and share price movements has been fully implemented.

- **Criteria used in identifying inside information**

The Adviser noted that the Company's draft Inside Information Policy has now provided guidance in identifying inside information. However, as the draft Inside Information Policy has not been formally approved and adopted as of 19 July 2013, the Adviser considered that its recommendation in the First Report with regard to the criteria used in identifying inside information has only been partially implemented.

- **Formal internal and external communication protocols (including inside information)**

The Adviser considered that its recommendation in the First Report with regard to external communication protocols has been fully implemented. The draft Inside Information Policy has been updated to include guidance to govern the internal communications within the Group and amongst the Finance Department from the different locations. As the draft Inside Information Policy has not been formally approved and adopted as of 19 July 2013, the Adviser considered that its recommendation in the First Report with regard to the internal communication protocols has only been partially implemented.

- **Documentary records of assessing and disclosing inside information**

The recommendation of the Adviser in the First Report with regard to the maintenance of documentary records of assessing and disclosing inside information has been fully implemented.

- **Training programmes (including current requirement of Inside Information) to Senior Management / Officers**

The Adviser noted that the Group has already arranged professional training provider approved by the Stock Exchange to provide training in respect of Listing Rule compliance, director's duties and corporate governance matters together with disclosure of inside information (under SFO) for the Senior Management in June 2013. The Group is also planning to have its legal counsel to provide training regularly and/or on an as-needed basis for updating all Senior Management and relevant staff on the development on regulatory matters, such as, changes to the Listing Rules, SFO, Company Ordinance, etc., that have regulatory impact on the Group, and the Company Secretary will be responsible for arranging training and maintaining a set of centralised training records for senior management and relevant staff as documented in the draft Inside Information Policy. As the draft Inside Information Policy has not been formally approved and adopted as of 19 July 2013, the Adviser considered that its recommendation in the First Report with regard to the training to senior management / Officers has only been partially implemented.

- **Accounting and finance representation on the Board**

The recommendation of the Adviser in the First Report with regard to accounting and finance representation on the Board has been fully implemented.

The directions of the Listing Committee in the News Release require the Company to furnish the Stock Exchange with the Adviser's written report of the Company's full implementation of the Adviser's recommendations before 21 July 2013 (i.e. within two months of the completion of the First Report) (the "**Deadline**"). As the Company has only fully implemented three of the recommendations and partially implemented five of the recommendations of the Adviser as at the date of the Follow-up Report, the Company has not been in full compliance with the directions of the Listing Committee by the Deadline.

The non-compliance was the result of the genuine and mistaken belief on the part of the Company that (i) not all of the recommendations of the Adviser are required to be implemented before the Deadline as some of the recommendations would need to be implemented on an ongoing basis; (ii) it was unnecessary to approve the Inside Information Policy prior to the Deadline, as the terms of the policy were already finalized and the approval process was only a matter of formality; and (iii) the Follow-up Report would satisfy the directions of the Listing Committee.

Realising the non-compliance on 22 July 2013, the Company immediately took steps to rectify the non-compliance. The Inside Information Policy was approved by the Chairman on 22 July 2013 and it was circulated to the Board, Officers and all relevant staff on 23 July 2013. The Company will also provide training to all Senior Management, Officer and relevant staff on the enhanced policies of the Company before 31 December 2013.

The Adviser confirmed in its letter dated 24 July 2013 that the Company has fully implemented all of its recommendations. The Company confirms that all of the directions of the Listing Committee as stated in the News Release have been fully complied with.

The Company believes that the implementation of the recommendations of the Adviser will serve to assist the Company in reducing risks and improving effectiveness in relation to identifying, assessing and handling inside information relating to the Company.

By order of the Board of
Lerado Group (Holding) Company Limited
Leung Man Fai
Company Secretary

Hong Kong, 2 August 2013

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Huang Ying Yuan, Ms. Huang Chen Li Chu and Mr. Chen Chun Chieh being the Executive Directors, and Mr. Lim Pat Wah Patrick, Mr. Huang Zhi Wei and Mr. Chern Shyh Feng being the Independent Non-executive Directors.

** For identification purposes only*