
THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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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)

- (I) OPEN OFFER OF NOT LESS THAN 2,879,030,172 OFFER SHARES AND NOT MORE THAN 2,960,330,172 OFFER SHARES AT THE SUBSCRIPTION PRICE OF HK\$0.15 EACH ON THE BASIS OF THREE (3) OFFER SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE;**
- (II) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;**
- (III) CHANGE IN BOARD LOT SIZE; AND**
- (IV) NOTICE OF SPECIAL GENERAL MEETING**

Financial Adviser to the Company



Underwriter of the Open Offer



Independent Financial Adviser to the Independent Board Committee And the Independent Shareholders



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

A letter from the Board is set out on pages 11 to 39 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 40 to 41 of this circular. A letter from Opus Capital containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 42 to 77 of this circular.

A notice convening the SGM to be held at 2:30 p.m. on Tuesday, 10 November 2015 at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong is set out on pages SGM-1 to SGM-4 of this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same 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 but in any event not less than 48 hours before the time scheduled for the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the SGM or any adjourned meeting thereof should you so wish.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right in its absolute discretion to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. These certain events are set out in the paragraph headed "Termination of the Underwriting Agreement" on page 10 of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Open Offer will not proceed.

Shareholders should note that the Shares will be dealt with on an ex-entitlement basis commencing from Monday, 16 November 2015 and that dealings in such Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled.

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

26 October 2015

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DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement of the Company dated 14 August 2015 in relation to, among other things, the Open Offer, proposed increase of authorised share capital and change of board lot size
“Application Form”	the form of application to be used by the Qualifying Shareholders to apply for the Offer Shares in the form agreed by the Company and the Underwriter
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“BlackMarble Capital”	BlackMarble Capital Limited, an indirect wholly-owned subsidiary of the Company. BlackMarble Capital is a licensed money lender in Hong Kong under the Money Lenders Ordinance (Chapter 163 of Laws of Hong Kong)
“Black Marble Securities”	Black Marble Securities Limited (formerly known as Yim Cheong Share Broking and Investment Company Limited), an indirect wholly-owned subsidiary of the Company. Black Marble Securities is a company incorporated in Hong Kong with limited liability and has the Stock Exchange Trading Right and license to carry out Type 1 (Dealing in Securities) regulated activities. Black Marble Securities is principally engaged in securities brokerage business and also intends to be engaged in margin financing business
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Lerado Group (Holding) Company Limited, a company incorporated in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	An independent committee of the Board, comprising all the independent non-executive Directors formed for the purpose of advising the Independent Shareholders in relation to the Open Offer
“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Shareholders”	Shareholders not required under the Listing Rules to abstain from voting on the resolution(s) at the SGM
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties not connected with or acting in concert with any directors, chief executive or Substantial Shareholder(s) or its subsidiaries of the Company and their respective associates
“Latest Practicable Date”	23 October 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular

DEFINITIONS

“Last Trading Day”	14 August 2015, being the last trading day for the Shares being the date of the Announcement
“Latest Time for Acceptance”	the latest time for acceptance of the Offer Shares at 4:00 p.m., on Friday, 11 December 2015 or such other time as may be agreed between the Company and the Underwriter
“Latest Time for Termination”	the latest time for terminating the Underwriting Agreement at 4:00 p.m., on Thursday, 17 December 2015, being the fourth Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriter
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	Main Board of the Stock Exchange operated by the Stock Exchange
“Non-Qualifying Shareholder(s)”	the Overseas Shareholder(s) whose address is/are in a place(s) outside Hong Kong where, the Directors, based on legal opinions provided by legal advisers of the Company, consider it is necessary or expedient on account either of the 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 Offer Shares to such Overseas Shareholders
“Offer Shares”	not less than 2,879,030,172 new Shares and not more than 2,960,330,172 new Shares to be allotted and issued pursuant to the Open Offer
“Open Offer”	the proposed issue by way of open offer to the Qualifying Shareholders on the basis of three (3) Offer Shares for every one (1) existing Share held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents

DEFINITIONS

“Option Shares”	a maximum of 27,100,000 new Shares to be allotted and issued upon the exercise of all the 27,100,000 vested outstanding Share Options
“Overseas Letter”	a letter from the Company to the Non-Qualifying Shareholders explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Open Offer
“Overseas Shareholder(s)”	the Shareholder(s) with registered address(es) (as shown in the register of members of the Company on the Record Date) are outside of Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
“Prospectus”	the document containing details of the Open Offer to be despatched to the Qualifying Shareholders
“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Date”	Friday, 27 November 2015 or such later date as may be agreed between the Underwriter and the Company for the despatch of the Prospectus Documents to the Qualifying Shareholders (or the Prospectus only in case of Non-Qualifying Shareholder(s))
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	Tuesday, 24 November 2015, or such other date as may be agreed between the Company and the Underwriter for determining entitlements to the Open Offer
“Registrar”	Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, the Hong Kong branch share registrar of the Company

DEFINITIONS

“SGM”	the special general meeting of the Company to convened and held to consider and to approve the Open Offer and the transactions contemplated hereunder
“Share(s)”	ordinary share(s) of HK\$0.10 each in share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Shares
“Share Options”	the outstanding options to subscribe for 27,100,000 new Shares granted under the Share Option Schemes
“Share Options Schemes”	the share options schemes as approved by the Company respectively on 30 May 2002 and 28 May 2012
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.15 per Offer Share
“Substantial Shareholder(s)”	has the meaning as ascribed thereto under the Listing Rules
“Takeovers Code”	The Codes of Takeovers and Mergers and Share Buy-backs
“Underwriter”	Gransing Securities Co., Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities for the purpose of the Securities Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Underwriting Agreement”	the underwriting agreement dated 14 August 2015 entered into among the Company and the Underwriter in relation to the underwriting arrangement in respect of the Open Offer

DEFINITIONS

“Underwritten Shares”	not less than 2,879,030,172 Offer Shares and not more than 2,960,330,172 Offer Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

Unless otherwise specified in this circular, for illustration purpose only, amounts quoted in RMB has been converted into HK\$ at the rate of HK\$1.00 to RMB0.78887 and amounts quoted in US\$ has been converted into HK\$ at the rate of US\$1.00 to HK\$7.78. Such exchange rate has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

EXPECTED TIMETABLE

The expected timetable for the Open Offer is set out below:

Event **(Hong Kong time)**

Expected date of despatch of the Circular Monday, 26 October 2015

Latest time for lodging transfer of Shares to
qualify for attendance at the SGM 4:00 p.m. on Wednesday,
4 November 2015

Register of members closes for determining
the rights to attend the SGM on Thursday, 5 November 2015
to Tuesday, 10 November 2015
(both dates inclusive)

Latest time to lodge the form of proxy for attending the SGM
(not less than 48 hours prior to time of SGM) 2:30 p.m. on Sunday,
8 November 2015

SGM 2:30 p.m. on Tuesday,
10 November 2015

Announcement of the results of the SGM Before 7:00 p.m. Tuesday,
10 November 2015

Last day of dealing in Shares on
a cum-entitlement basis Friday, 13 November 2015

First day of dealing in Shares on
an ex-entitlement basis. Monday, 16 November 2015

Latest time for lodging transfer of Shares in order to be
qualified for the Open Offer 4:30 p.m. on Tuesday,
17 November 2015

Register of members of the Company closes Wednesday, 18 November 2015
to Tuesday, 24 November 2015
(both dates inclusive)

Record Date for the Open Offer Tuesday, 24 November 2015

EXPECTED TIMETABLE

Despatch of the Prospectus Documents (in case of the Non-Qualifying Shareholders, the Prospectus only).	Friday, 27 November 2015
Latest Time for Acceptance of, and payment for the Offer Shares	4:00 p.m. on Friday, 11 December 2015
Latest Time for Termination by the Underwriter	4:00 p.m. on Thursday, 17 December 2015
Announcement of results of acceptance of the Offer Shares	Friday, 18 December 2015
Despatch of share certificates for the Offer Shares or refund cheques if terminated	Monday, 21 December 2015
Effective date of change in board lot size from 2,000 Shares to 20,000 Shares.	Tuesday, 22 December 2015
Designated brokers start to stand in the market to provide matching services for sale and purchase of odd lots of Shares	9:00 a.m. on Tuesday, 22 December 2015
Dealing in the Offer Shares commences	9:00 a.m. on Tuesday, 22 December 2015
Designated brokers cease to stand in the market to provide matching services for sale and purchase of odd lots of Shares	4:00 p.m. on Wednesday, 13 January 2016

All times and dates stated in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE

The Latest Time for Acceptance will not take place if there is

1. a tropical cyclone warning signal number 8 or above, or
2. a “black” rainstorm warning
 - a. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Acceptance Date. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
 - b. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Acceptance Date. Instead, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the next 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 does not take place on Friday, 11 December 2015, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

If, at any time prior to the Latest Time for Termination:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other place in which any member of the Group conducts or carries on business; or
 - (i) any local, national or international event or change of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets; or
 - (ii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic or threatened epidemic, terrorism, strike or lock-out; or
 - (iii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances; or
 - (iv) the occurrence of any event, or series of events, beyond the control of the Underwriter;

which, in the reasonable opinion of the Underwriter:

- 1. is or will or is likely to have a material adverse effect on the business or financial position of the Group or the Open Offer; or
 - 2. has or will have or is likely to have a material adverse effect on the success of the Open Offer or the level of Offer Shares taken up; or
 - 3. makes it inadvisable or inexpedient for the Company to proceed with the Open Offer; or
- (b) there comes to the notice of the Underwriter:
 - (i) any matter or event showing any of the warranties under the Underwriting Agreement was, when given, untrue, inaccurate or misleading or as having been breached in any respect; or
 - (ii) any breach by any of the other parties to this agreement of any of their respective obligations or undertakings under this agreement.

LETTER FROM THE BOARD



LERADO GROUP (HOLDING) COMPANY LIMITED

(隆成集團(控股)有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock code: 1225)

Executive Directors:

Mr. HUANG Ying Yuan

(Chairman and Chief Executive Officer)

Mr. HUANG Shen Kai

Mr. CHEN Chun Chieh

Mr. LAI Kin Chung, Kenneth

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Independent Non-executive Directors:

Mr. MAK Kwong Yiu

Mr. YE Jianxin

Mr. CHERN Shyh Feng

Principal place of business in

Hong Kong:

Unit 1-3, 30/F

Universal Trade Centre

3-5A, Arbuthnot Road

Central Hong Kong

26 October 2015

To the Shareholders

Dear Sir or Madam,

- (I) OPEN OFFER OF NOT LESS THAN 2,879,030,172 OFFER SHARES AND NOT MORE THAN 2,960,330,172 OFFER SHARES AT THE SUBSCRIPTION PRICE OF HK\$0.15 EACH ON THE BASIS OF THREE (3) OFFER SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE;**
- (II) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;**
- (III) CHANGE IN BOARD LOT SIZE; AND**
- (IV) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

On 17 August 2015, the Board announced that the Company proposed to raise not less than HK\$431.85 million and not more than HK\$444.05 million before expenses by issuing not less than 2,879,030,172 Offer Shares and not more than 2,960,330,172 Offer Shares at the Subscription Price of HK\$0.15 per Offer Share on the basis of three (3) Offer Shares for every one (1) existing Share held on the Record Date and payable in full upon application.

LETTER FROM THE BOARD

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Open Offer and Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, (i) further details about the Open Offer; (ii) a letter from the Independent Board Committee to the Independent Shareholders setting out its advice in relation to the Open Offer; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer; (iv) the financial information and other general information of the Group; and (v) the notice convening the SGM.

PROPOSED OPEN OFFER

Issue statistics

Basis of the Open Offer	:	Three (3) Offer Shares for every one (1) existing Share held on the Record Date
Subscription Price	:	HK\$0.15 per Offer Share
Number of Shares in issue as at the date of this circular	:	959,676,724 Shares
Number of Offer Shares	:	Not less than 2,879,030,172 Offer Shares (assuming no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date) and not more than 2,960,330,172 Offer Shares (assuming full exercise of all the outstanding and exercisable Share Options and no other issue of any Shares on or before the Record Date) (<i>Note</i>)
Number of Offer Shares to be taken up or procure to be taken up by the Underwriters pursuant to the Offer Shares Undertakings	:	Not less than 2,879,030,172 Offer Shares (assuming no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date) and not more than 2,960,330,172 Offer Shares (assuming full exercise of all the outstanding and exercisable Share Options and no other issue of any Shares on or before the Record Date). The Open Offer is fully underwritten (<i>Note</i>)

LETTER FROM THE BOARD

Number of Shares in issue : 3,838,706,896 Shares (assuming no new Shares upon completion of the Open Offer being issued and no Shares being repurchased by the Company on or before the Record Date) and 3,947,106,896 Shares (assuming full exercise of all the outstanding and exercisable Share Options and no other issue of any Shares on or before the Record Date)
(Note)

Note: As at the Latest Practicable Date, the Company has outstanding Share Options carrying rights to subscribe for a total of 27,100,000 new Shares. Such outstanding Share Options have been all vested and are exercisable as at the Latest Practicable Date and before the Record Date. Assuming no grant of Share Options by the Company and full exercised of the subscription rights attaching to such outstanding and exercisable Share Options, an additional 81,300,000 Offer Shares will be issued.

Save for the Share Options, as at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, the Board had not received any information or other undertakings from any Shareholders if their intention to take up or not to take up the securities of the Company to be offered to them under the Open Offer.

Share Options outstanding at the date of this circular have the following exercise price, exercise period and expiry date:

Exercise prices per Share (HK\$)	Exercise period	Expiry date	Number of Share Options granted to Employees/ Consultants
0.77	From 18 January 2013 to 17 January 2017	17 January 2017	50,000
0.77	From 18 January 2013 to 17 January 2017	17 January 2017	50,000
0.592	From 12 February 2015 to 11 February 2017	11 February 2017	27,000,000
Total			<u>27,100,000</u>

The number of Option Shares to be allotted and issued by the Company, and the exercise price of the Share Options may be adjusted as a result of the Open Offer. The Company will publish further announcement(s) for details of the adjustments as and when appropriate.

LETTER FROM THE BOARD

The Offer Shares

Assuming (i) no exercise of any outstanding and exercisable Share Options; (ii) no new Shares being issued; and (iii) no Shares being repurchased by the Company on or before the Record Date, the 2,879,030,172 Offer Shares proposed to be allotted and issued represents approximately 300% of the Company's issued share capital as at the Latest Practicable Date and approximately 75.0% of the Company's issued share capital of 3,838,706,896 Shares as enlarged by the allotment and issue of 2,879,030,172 Offer Shares immediately upon completion of the Open Offer.

The aggregate nominal value of the Offer Shares will be HK\$287,903,017 (assuming no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date) and HK\$296,033,017 (assuming full exercise of all the outstanding and exercisable Share Options and no other issue of any Shares on or before the Record Date).

Basis of entitlement

The basis of the entitlement shall be three (3) Offer Shares for every one (1) existing Share held on the Record Date, being not less than 2,879,030,172 Offer Shares (assuming no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date) and not more than 2,960,330,172 Offer Shares (assuming full exercise of all the outstanding and exercisable Share Options and no other issue of any Shares on or before the Record Date). Acceptance for all or any part entitlement of a Qualifying Shareholder should be made by completing the Application Form and lodging the same with a remittance for the offer Shares being accepted for.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders.

To qualify for the Open Offer, the Shareholders must at the close of business on the Record Date (a) be registered on the register of members of the Company; and (b) not being the Non-Qualifying Shareholders.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as members of the Company prior to the close of business on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) for registration with the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Tuesday, 17 November 2015.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price is HK\$0.15 per Offer Share, which will be payable in full upon application.

The Subscription Price represents:

- (a) a discount of approximately 68.09% to the closing price of HK\$0.47 per Share as quoted on the Stock Exchange on the date of the Underwriting Agreement and on the Last Trading Day;
- (b) a discount of approximately 34.78% to the theoretical ex-entitlement price of approximately HK\$0.23 based on the closing price of HK\$0.47 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 68.75% to the average closing price of approximately HK\$0.48 per Share for the last five consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a discount of approximately 77.27% to the audited consolidated net asset value per Share of approximately HK\$0.66 (based on the latest published audited net asset value of the Group of HK\$632,866,000 as at 31 December 2014 and 959,676,724 Shares in issue as at the Latest Practicable Date); and
- (e) a discount of approximately 39.52% to the closing price of HK\$0.248 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to, among others, (i) the prevailing market price of the Shares prior to the Last Trading Day and the theoretical ex-entitlement price; (ii) the net loss of the Group in terms of operating performance for the two consecutive financial years since 2013. The Directors consider that each Qualifying Shareholder will be entitled to subscribe for the Offer Shares at the same Subscription Price in proportion to his/her/its shareholding held on the Record Date and the terms of the Open Offer, including the Subscription Price which has been set as a discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their entitlements so as to share 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.

LETTER FROM THE BOARD

After deducting all relevant expenses relating to the Open Offer, the net price per Offer Share will be approximately HK\$0.15 (assuming no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date) or approximately HK\$0.14 (assuming full exercise of all the outstanding and exercisable Share Options and no other issue of any Shares on or before the Record Date).

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

According to the register of members of the Company as at the Latest Practicable Date, there were six Overseas Shareholders with registered addresses situated in Taiwan and the PRC. Each of the Overseas Shareholders represents less than 1.0% of the total issued Shares as at the Latest Practicable Date. Pursuant to Rule 13.36(2)(a) of the Listing Rules (including notes 1 and 2 thereto), the Company will make enquiries regarding the feasibility of extending the Open Offer to the Overseas Shareholders. If, based on legal advice, the Directors consider that it is necessary or expedient not to issue the Offer Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Open Offer will not be available to such Overseas Shareholders.

Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the Open Offer, to be despatched to the Qualifying Shareholders on Friday, 27 November 2015. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but no Application Form will be sent to them.

Those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled and the Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Open Offer.

Ranking of the Offer Shares

The Offer Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Offer Shares in their fully-paid form.

LETTER FROM THE BOARD

Share certificates and refund cheques for the Offer Shares

Subject to the fulfillment of the conditions of the Open Offer, certificates for all fully-paid Offer Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Monday, 21 December 2015. If the Open Offer is terminated, refund cheques will be despatched on or before Monday, 21 December 2015 by ordinary post at the respective Shareholders' own risk.

No application for excess Offer Shares

The Open Offer will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro-rata shareholding interests in the Company. If application for excess Offer Shares is arranged, the Company will be required to put in additional effort and costs including preparing and arranging the excess application, reviewing the relevant documents, liaising with professional parties and printing of application forms, etc. It is estimated that an additional cost of approximately HK\$100,000 to administer the excess application procedures will be incurred, which is not cost effective from the viewpoint of the Company. Accordingly, no excess Offer Shares will be offered to the Qualifying Shareholders and any Offer Shares not taken up by the Qualifying Shareholders will be underwritten by the Underwriter.

Fractions of the Offer Shares

On the basis of three (3) Offer Shares for every one (1) existing Share held on the Record Date, no fractional entitlements to the Offer Shares will arise under the Open Offer. Underwriter will arise under the Open Offer.

Application for the Offer Shares

The Application Form in respect of the entitlement of the Offer Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Offer Shares as shown therein by completing such form and lodging the same with a remittance for the Offer Shares being taken up with the Registrar by the Latest Time for Acceptance.

Application for listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Offer Shares. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty (if any) in Hong Kong and any other applicable fees and charges in Hong Kong.

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Subject to the granting of the approval for the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Offer 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 trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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.

Closure of register of members for the Open Offer

The Company's register of members will be closed from Wednesday, 18 November 2015 to Tuesday, 24 November 2015, both days inclusive, to determine the eligibility of the Qualifying Shareholders. No transfer of Shares will be registered during the book closure period.

The Underwriting Agreement

Date : 14 August 2015 (after trading hours)

Underwriter : Gransing Securities Co., Limited

Number of Offer Shares to be underwritten : Not less than 2,879,030,172 Offer Shares (assuming no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date) and not more than 2,960,330,172 Offer Shares (assuming full exercise of all the outstanding and exercisable Share Options and no other issue of any Shares on or before the Record Date). The Open Offer is fully underwritten.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Underwriter and their respective ultimate beneficial owners are Independent Third Parties. As at the date of the Underwriting Agreement, the Underwriter is not interested in any Shares.

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Under the Underwriting Agreement, the Open Offer is fully underwritten by the Underwriter who shall not subscribe, for its own account, for such number of the Offer Shares which have not been taken up by the Qualifying Shareholders which will result in the shareholding of them and parties acting in concert (within the meaning of the Takeovers Code) with them in the Company holding 10% or more shareholding in the Company immediately upon completion of the Open Offer.

The Underwriter shall procure that any subscribers procured by them shall be Independent Third Parties and shall not become Substantial Shareholders holding 10% or more shareholding in the Company immediately upon completion of the Open Offer.

As at the Latest Practicable Date, Gransing Securities had entered into sub-underwriting agreements with 12 sub-underwriters for an aggregate sub-underwriting commitment of a maximum of Underwritten Shares, being not less than 2,879,030,172 Offer Shares (assuming no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date) and not more than 2,960,330,172 Offer Shares (assuming full exercise of all the outstanding and exercisable Share Options and no other issue of any Shares on or before the Record Date). Each of the sub-underwriters' commitment portion represents less than 10% of the total issued Shares immediately after completion of the Open Offer.

Underwriting commission

The Company will pay the Underwriter an underwriting commission of 2.0% of the aggregate Subscription Price in respect of the maximum number of the Underwritten Shares, being not less than 2,879,030,172 Offer Shares (assuming no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date) and not more than 2,960,330,172 Offer Shares (assuming full exercise of all the outstanding and exercisable Share Options and no other issue of any Shares on or before the Record Date). The commission rate was determined after arm's length negotiation between the Company and the Underwriter by reference to the market rate, the size of the Open Offer and the current and expected market condition. The Directors (including the independent non-executive Directors) are of the view that the terms of the Underwriting Agreement, including the commission, accord with the market practice, and are fair and reasonable so far as the Company and the Shareholders are concerned.

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Termination of the Underwriting Agreement

If, at any time prior to the Latest Time for Termination:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other place in which any member of the Group conducts or carries on business; or
 - (ii) any local, national or international event or change of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets; or
 - (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic or threatened epidemic, terrorism, strike or lock-out; or
 - (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances; or
 - (v) the occurrence of any event, or series of events, beyond the control of the Underwriter;

which, in the reasonable opinion of the Underwriter:

- (1) is or will or is likely to have a material adverse effect on the business or financial position of the Group or the Open Offer; or
- (2) has or will have or is likely to have a material adverse effect on the success of the Open Offer or the level of Offer Shares taken up; or
- (3) makes it inadvisable or inexpedient for the Company to proceed with the Open Offer; or

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- (b) there comes to the notice of the Underwriter:
 - (i) any matter or event showing any of the warranties under the Underwriting Agreement was, when given, untrue, inaccurate or misleading or as having been breached in any respect; or
 - (ii) any breach by any of the other parties to this agreement of any of their respective obligations or undertakings under this agreement

then and in such case the Underwriter may, upon giving notice to the Company, terminate the Underwriting Agreement with immediate effect without prejudice to all other rights, porters and remedies provided to the Underwriter (in law or equity).

Conditions of the Open Offer

The Open Offer is conditional upon:

- (a) the issue of the Announcement within two business days from the date of the Underwriting Agreement;
- (b) completion of the increase in authorised share capital of the Company;
- (c) the passing by the Independent Shareholders at the SGM of the resolution relating to the Open Offer;
- (d) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly certified by all Directors (or by their agents duly authorised in writing) as having been approved by a resolution of the Board (and with all other documents required to be attached thereto under the Companies Ordinance) not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the Companies Ordinance;
- (e) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for “Information Purpose Only” explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;

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- (f) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked, the listing of, and permission to deal in, the Offer Shares, before 9:00 am on Thursday, 31 December 2015, being the expected date of commencement of dealings in the Offer Shares (or such other date as may be agreed between the Company and the Underwriter from time to time), and such listing and permission not being revoked prior to the Latest Time for Termination;
- (g) the Shares remaining listed on the Stock Exchange at all times up to and including the Latest Time for Termination and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than ten trading days (other than any suspension pending clearance of this announcement) and no indication being received before the Latest Time for Termination from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Open Offer or in connection with the terms of this agreement or for any other reason;
- (h) compliance by the Company with all of its warranties, undertakings and obligations under the Underwriting Agreement;
- (i) obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms of the Underwriting Agreement; and
- (j) the filing of the Prospectus Documents with the Registrar of Companies in Bermuda and approval of the Open Offer by the relevant authority of Bermuda if so required by the Companies Act.

The Company shall use its best endeavours to procure the fulfilment of the conditions set out in (a), (b), (d), (e), (f), (g), (h), (i) and (j) above and to convene the SGM for the purpose of fulfilling the condition set out in (c) above. The Company shall do all the things required to be done by it pursuant to the Prospectus Documents or otherwise reasonably necessary to give effect to the Open Offer and the arrangements contemplated by the Underwriting Agreement.

Up to the Latest Practicable Date, condition (a) has been fulfilled.

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Shareholding structure of the Company

Set out below is the shareholding structure of the Company before and after the completion of the Open Offer (assuming (i) no further issue of any Shares other than the issue of Shares pursuant to the exercise of any outstanding and exercisable Share Options; (ii) no repurchase of any Shares by the Company; and (iii) no change in the shareholding of the substantial shareholders of the Company, after the Latest Practicable Date until the completion of the Open Offer):

(A) Assuming no exercise of any outstanding and exercisable Share Option on or before the Record Date

	As at the Latest Practicable Date		Upon completion of the Open Offer (assuming all Offer Shares are subscribed for by the Qualifying Shareholders)		Upon completion of the Open Offer (assuming none of the Offer Shares are subscribed for by the Qualifying Shareholders)	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Substantial Shareholders						
Mr. Huang Ying Yuan (<i>Note 1</i>)	152,553,540	15.90	610,214,160	15.90	152,553,540	3.97
Director						
Mr. Mak Kwong Yiu (<i>Note 2</i>)	600,000	0.06	2,400,000	0.06	600,000	0.02
Sub-total	153,153,540	15.96	612,614,160	15.96	153,153,540	3.99
Public						
Underwriter and the subscribers procured by the Underwriter (<i>Note 3</i>)	—	—	—	—	2,879,030,172	75.00
Existing public Shareholders	806,523,184	84.04	3,226,092,736	84.04	806,523,184	21.01
Total	959,676,724	100.00	3,838,706,896	100.00	3,838,706,896	100.00

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(B) Assuming full exercise of all outstanding and exercisable Share Options on or before the Record Date

	As at the Latest Practicable Date		Upon issue of the Share Options on or before Record Date		Upon completion of the Open Offer (assuming all Offer Shares are subscribed for by the Qualifying Shareholders)		Upon completion of the Open Offer (assuming none of the Offer Shares are subscribed for by the Qualifying Shareholders)	
	<i>No. of Approximate</i>		<i>No. of Approximate</i>		<i>No. of Approximate</i>		<i>No. of Approximate</i>	
	Shares	%	Shares	%	Shares	%	Shares	%
Substantial Shareholders								
Mr. Huang Ying Yuan (Note 1)	152,553,540	15.90	152,553,540	15.46	610,214,160	15.46	152,553,540	3.86
Director								
Mr. Mak Kwong Yiu (Note 2)	600,000	0.06	600,000	0.06	2,400,000	0.06	600,000	0.02
Sub-total	153,153,540	15.96	153,153,540	15.52	612,614,160	15.52	153,153,540	3.88
Public								
Underwriter and the subscribers procured by the Underwriter (Note 3)	—	—	—	—	—	—	2,960,330,172	75.00
Optionholders	—	—	27,100,000	2.75	108,400,000	2.75	27,100,000	0.69
Existing public Shareholders	806,523,184	84.04	806,523,184	81.73	3,226,092,736	81.73	806,523,184	20.43
Total	959,676,724	100.00	986,776,724	100.00	3,947,106,896	100.00	3,947,106,896	100.00

Notes:

- Mr. Huang Ying Yuan, the Chairman and an executive Director of the Company, is deemed to be interested in a total of 152,553,540 Shares, of which 1,234,000 Shares are held by Mrs. Huang Chen Li Chu and 148,353,540 Shares are held by Intelligence Hong Kong Group Limited. Mrs. Huang Chen Li Chu is the wife of Mr. Huang Ying Yuan and Intelligence Hong Kong Group Limited is controlled by Mr. Huang Ying Yuan and Mrs. Huang Chen Li Chu.
- Mr. Mak Kwong Yiu, an independent non-executive Director of the Company.

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3. This scenario is for illustration purpose only and will never occur. Pursuant to the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscribers to subscribe for any of the Underwritten Shares:
- (a) the Underwriter shall not subscribe, for its own account, for such number of the Offer Shares which have not been taken up by the Qualifying Shareholders which will result in the shareholding of them and parties acting in concert (within the meaning of the Takeovers Code) with them in the Company holding 10% or more shareholding in the Company immediately after completion of the Open Offer; and
 - (b) Pursuant to the Underwriting Agreement, the Underwriter shall procure that any subscribers procured by them shall be Independent Third Parties and shall not become Substantial Shareholders holding holding 10% or more shareholding in the Company immediately after completion of the Open Offer.

As at the Latest Practicable Date, the existing public shareholders hold as to 84.04% of the entire issued share capital of the Company. Upon completion of the Open Offer (i) assuming none of the Offer Shares are subscribed for by the Qualifying Shareholders, the existing public shareholders hold as to 21.01% of the entire enlarged issued share capital of the Company; and (ii) assuming full exercise of all the outstanding and exercisable Share Options and none of the Offer Shares are subscribed for the Qualifying Shareholders, the existing public shareholders and Optionholders hold as to 20.43% of the entire enlarged issued share capital of the Company. **Qualifying Shareholders who do not take up the Offer Shares to which they are entitled and the Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Open offer. The possible maximum dilution to shareholdings of those Qualifying Shareholders who do not subscribe for the Open Offer is (i) approximately 75.00% assuming none of the Offer Shares are subscribed for the Qualifying Shareholders; and (ii) approximately 75.69% assuming full exercise of all the outstanding and exercisable Share Options and none of the Offer Shares are subscribed for the Qualifying Shareholders.**

Reasons for the Open Offer and use of proceeds

The Company is an investment holding company. The Group is principally engaged in manufacture and distribution of toys and medical products.

Building on the increasing demand for the medical products in the overseas markets, it is the Group's intention to expand the medical business into the PRC domestic market and develop new products to enlarge product offering in light of the growing aging population in the PRC.

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The Group will also explore opportunities to diversify into other business sectors that could benefit from the growing aging population and health consciousness in the PRC, with a view to creating synergistic effects with the existing medical products business.

Given that the financial knowledge and background of the Directors and the Company's strong cash position, the Directors are of the view that it is a suitable time for the Company to take an active approach in generating immediate revenue and diversifying the Company's business portfolio in other business sector including securities trading, money lending business, and other financial and property investment.

However, as disclosed in 2014 Annual Report, during the year ended 31 December 2014, the Company and a wholly-owned subsidiary of the Company (the "Seller") disposed eight wholly-owned subsidiaries of the Company, together with their respective subsidiaries, that engaged in the Group's juvenile and infant products business ("Disposed Subsidiaries") to a subsidiary of Dorel Industries Inc. (the "Buyer"), which control and benefits of the Disposed Subsidiaries have been transferred to the Buyer on 31 October 2014. As the Group disagreed with the draft completion accounts prepared by the Buyer and the significant downward adjustment to the consideration requested by the Buyer, the Buyer and the Group have not reached agreement on the disputed items in the draft completion accounts and have agreed that the disputed items shall be referred to an independent accountant to be appointed by the Seller and the Buyer pursuant to the terms of the sale and purchase agreement who shall determine what adjustments (if any) are required to be made to the draft completion accounts.

As a result of the disputed items, the net asset value of the disposed subsidiaries of the Group and their respective subsidiaries before the deduction of deferred taxes at the completion of the disposal and the final consideration for the Disposed Subsidiaries are yet to be determined. For the year ended 31 December 2014, the gain or loss on disposal of subsidiaries was only recognized to the extent of the portion of the consideration that is not in dispute. The downward adjustment to the consideration for the disposal of HK\$307.4 million claimed by the Buyer, which the Buyer was presented as deferred consideration in the consolidated statement of financial position at 31 December 2014. For further details of the disposal of the subsidiaries of the Company and the dispute between the Group and Buyer, please refer to the circular dated 28 August 2014 and the 2014 Annual Report.

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Change in use of proceeds

As disclosed in the Announcement, it is expected that the Group will allocate its use of proceeds in the following manner:

Nature of business	Estimated investment amount	Status of business	Investment timeline
Securities and brokerage and margin financing	HK\$270 million	In operation	HK\$90 million by 3rd quarter of 2015 as margin financing facility to customers; and HK\$180 million by 4th quarter of 2015 as share capital and operation of securities and brokerage and margin financing business.
Money lending	HK\$117 million	In operation	HK\$117 million by 3rd quarter of 2015 which HK\$100 million as money lend to customers and HK\$17 million as operation of money lending business.
Securities investments	HK\$18 million	Investing	HK\$18 million by 3rd quarter of 2015 as investment of various securities.

The remaining net proceeds from the Open Offer will be used for general working capital of the Group.

However, since additional time is required for the Company to prepare and finalise the Circular, it is expected that the completion of the Open Offer will be postponed to a date after 3rd quarter of 2015. In view of this, the Group will delay its original plans and the Directors has considered the following factors and re-allocated its use of proceeds accordingly:

In respect of the Group's securities and brokerage and margin financing business, a total of 20 potential and existing clients have enquired Black Marble Securities in relation to margin financing with an aggregate amount of HK\$150 million.

In respect of the Group's money lending business, the Group foresees that one potential client in relation to the money lending business which intended to borrow HK\$30 million as stated in the Announcement may not sign the contract with the Group. However, the Company is in negotiation with two new potential clients in relation to the money lending business with an aggregate amount of lending of approximately HK\$36 million with an interest rate ranging from 12% to 20% per annum.

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Given that the Group is actively exploring business opportunities and several potential clients have enquired the Group in relation to its margin financing and money lending business, the Directors expect that the entire amount of the net proceeds from the Open Offer can be utilised by the Company shortly upon the net proceeds from the Open Offer becoming available, which is the 4th quarter of 2015, in order to capture suitable investment opportunities in a timely manner to provide investment return to the Group and the Shareholders.

Securities investments

In respect of the Group's securities investments business, the Group originally planned to allocate HK\$18 million of the proceeds from the Open Offer to securities investments after considering that such amount will enable the Group to expand its investment portfolio gradually by acquiring securities in different industries to diversify its investment portfolio and reduce the concentration and investment risks.

Company's portfolio of securities investments

The Company's portfolio of securities investments as at the Latest Practicable Date, comprise of securities in different industries including manufacturing, provision of services, securities trading and investment holding, all of which are listed on the Stock Exchange in Hong Kong. The balance of the Company's existing portfolio of securities investments amounted to approximately HK\$576.3 million as at the Latest Practicable Date. Details are shown as below:

Industry	Balance as at 30 June 2015 <i>HK\$'000</i>	Addition <i>HK\$'000</i>	Disposal From 1 July 2015 to the Latest Practicable Date <i>HK\$'000</i>	Unrealised gain/(loss) on fair value changes of held-for- trading investments <i>HK\$'000</i>	Balance at the Latest Practicable Date <i>HK\$'000</i>	Gain on fair value changes of held-for- trading investments For the six months ended 30 June 2015 <i>HK\$'000</i>	Realised gain/(loss) on fair value changes of held-for- trading investments <i>HK\$'000</i>
Manufacturing	624,000	15,515	(8,642)	(69,238)	561,635	601,014	7,177
Securities trading and investment holding	78,062	9,151	(78,062)	1,830	10,981	20,383	(17,656)
Provision of services	18	4,165	(18)	(1,614)	2,551	5,121	(11)
Bank	—	447	—	67	514	—	—
Insurance	—	529	—	88	617	—	—
	<u>702,080</u>	<u>29,807</u>	<u>(86,722)</u>	<u>(68,867)</u>	<u>576,298</u>	<u>626,518</u>	<u>10,490</u>

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However, in light of the the stock market in Hong Kong being volatile, the Directors consider that the performance of the securities portfolio of the Group may remain susceptible to external market condition. As such, the Group intends to allocate HK\$18 million more to the margin financing business as the margin financing facility to customers in view of the increase in margin financing enquiry from the potential and existing customers as mentioned above. The Directors also consider that it can provide a stable interest income stream to the Group and benefit the Company and the Shareholders as a whole.

In view of the above, the net proceeds from the Open Offer after deducting all relevant expenses are estimated to be not less than HK\$422.27 million but not more than HK\$434.22 million which are intended to be applied in the following manner:

- approximately HK\$288 million, representing approximately 68.2% of the net proceeds from the Open Offer for the investment in Black Marble Securities;
- approximately HK\$117 million, representing approximately 27.7% of the net proceeds from the Open Offer for the operation of the money-lending business in Hong Kong through BlackMarble Capital; and
- the remaining net proceeds from the Open Offer for general working capital of the Group.

To the best knowledge of the Directors, the table below sets out the details of the use of proceeds as at the Latest Practicable Date:

Nature of business	Estimated investment amount	Status of business	Investment timeline
1. Securities and brokerage and margin financing	HK\$288 million	In operation	HK\$288 million by 4th quarter of 2015 which HK\$108 million as margin financing facility to customers; and HK\$180 million as share capital and operation of securities and brokerage and margin financing business.
2. Money-lending	HK\$117 million	In operation	HK\$117 million by 4th quarter of 2015 which HK\$100 million as money lend to customers and HK\$17 million as operation of money lending business.

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Investment in securities and brokerage and margin financing business

Black Marble Securities currently has the Stock Exchange Trading Right and license to carry out Type 1 (Dealing in Securities) regulated activity. According to the SFO, licensed corporations must maintain paid-up share capital and liquid capital not less than the specified amounts according to the financial resources rules (“FRR”). In order to maintain a sufficient level of financial resources and expansion of the securities brokerage and margin financing businesses, the Company intends to inject HK\$180 million into Black Marble Securities as its share capital and general working capital and HK\$108 million to reserve for its margin financing facility to its clients. As at the Latest Practicable Date, Black Marble Securities has an aggregate of approximately 90 clients, out of which approximately 25 are margin financing clients and approximately 10 are professional investors (as defined in the SFO as extended by the Securities and Futures (Professional Investor) Rules (Chapter 571D) of the Laws of Hong Kong). Currently, 20 potential and existing clients have enquired Black Marble Securities in relation to margin financing with an aggregate amount of HK\$150 million.

Black Marble Securities is actively exploring business opportunities. For instance, as disclosed in the announcement of GreaterChina Professional Services Limited (“GreaterChina”) dated 9 July 2015, Yim Cheong Share Broking and Investment Company Limited (“Yim Cheong”), the former name of Black Marble Securities, entered into a placing agreement with GreaterChina. Yim Cheong has conditionally agreed to place, on a fully underwritten basis, a total of not less than six places to subscribe for an aggregate of 2,600,000,000 placing shares at the price of HK\$0.10 per placing share. In light of this, Black Marble Securities is required to maintain a sufficient level of financial resources so as to fulfill the requirement under SFO. In addition, Black Marble Securities is currently discussing with several potential clients and will enter into placing agreements and/ or underwriting agreements with such clients to act as placing agent or underwriter. The Directors therefore are of the view that by having an enlarged capital base, Black Marble Securities will be able to capture more business opportunities and expand its business. The Company, through Black Marble Securities, will be the underwriter of a recent proposed open offer of China Investment and Finance Group Limited (stock code: 1226) (“CIFG”). The announcement of such open offer was published by CIFG on 9 September 2015. From the disclosure of interests in the website of the Stock Exchange, as at 25 September 2015, CIFG holds 7.64% of the issued share capital of the Company, and the Company holds 7.49% of the issued share capital of CIFG. As disclosed in the announcement of the Company dated 21 May 2015 (the “CIFG Subscription Announcement”), the investment in CIFG can help the Company to diversify its investment portfolio as CIFG is mainly engaged in securities trading and investment holding. However, (a) after considering that potential material interest may arise in the Open Offer in holding CIFG, which is one of the Shareholders, and in order to be fair and reasonable to all Shareholders and; (b) the Company intends not to subscribe for the open offer of CIFG, which was announced on 9 September 2015, due to the volatile stock market and, hence, the restructuring of the

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Company's investment portfolio, the Company decided to dispose its entire shareholding in CIFG in the open market on 29 September 2015 at an aggregate consideration of approximately HK\$7.86 million. In order to diversify the Company's investment portfolio, the Company invested such proceeds in a financial institution and an insurance company with their shares listed on the Main Board of the Stock Exchange respectively as constituent stocks of the Hang Seng Index. The Company believes that there is no change in the Company's investment strategy since the CIFG Subscription Announcement, which is to diversify the Company's investment portfolio. As at the Latest Practicable Date, CIFG does not hold any shareholding interest in the Company, and the Company also does not hold any shareholding interest in CIFG.

Black Marble Securities is currently discussing with three potential clients which are (i) a construction company applying for listing; (ii) a household company applying for listing; and (iii) a company which its shares listed on Main Board of the Stock Exchange and principally engaged in information technology, and Black Marble Securities will enter into underwriting agreements with such clients to act as their underwriter. In considering the underwriting agreements that are in discussion together with those that were already entered into between Black Marble Securities and the clients, the total underwriting commitment is expected to be approximately HK\$2,096 million, subject to further negotiation between Black Marble Securities and its potential clients regarding the structure of the fund raising activities. According to the FRR, corporations licensed under the Securities and Futures Commission (the "SFC") to carry out Type 1 regulated activity under the SFO are required to maintain liquidity capital of approximately 1%-15% of the net underwriting commitment, the percentage of which depends on the difference between the subscription price and the market price of the listed companies and the share categories of the listed companies. Therefore, the potential underwriting commitment under discussion shall require approximately HK\$21 million to approximately HK\$314 million to maintain the liquidity capital of Black Marble Securities.

Investment in money-lending business

As disclosed in the announcement of the Company dated 2 July 2015, the Group has commenced its money-lending business in Hong Kong through BlackMarble Capital, which is a licensed money lender under the Money Lenders Ordinance. The Group believes that such business can bring in additional revenue for the Group and supplement our securities and brokerage and financing business. By leveraging the concrete financial knowledge and background of the Directors, BlackMarble Capital is in negotiation with two individuals for an aggregate amount of lending of approximately HK\$36.0 million with an interest rate ranging from 12% to 20% per annum and two licensed money lenders in Hong Kong for an aggregate amount of HK\$40 million with an interest rate ranging from 8% to 10% per annum for a term of two years. The Directors believe that the management of the Company has sufficient experience to further expand the Company's money-lending business.

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The Directors consider that the investment in money lending business is in the interests of the Company and its Shareholders as a whole given that the potential amount of HK\$76 million is below the amounts of proceeds allocated to this business, having taken into account that: (i) the potential lending amount of HK\$76 million can earn an interest rate ranging from 8% to 20% per annum which is higher than the Prime rate in the market (currently 5% per annum); (ii) the remaining amount can strengthen the capital reserve of BlackMarble Capital to approach more potential customers and meet customers' requirements for loans. As the Directors consider strong cash flow and financial capability are fundamental factors for the money lending business to operate successfully; (iii) money lending business can bring in additional revenue for the Group and supplement its securities and brokerage and financing business; and (iv) the management of the Company has sufficient experience to further expand the Company's money lending business.

The Directors are of the view that, as at the Latest Practicable Date, the net proceeds from the Open Offer can satisfy the Company's expected funding needs for the next 12 months. Save for the Open Offer, the Company does not have any immediate plan and is not contemplating to conduct further fund raising exercise for funding its existing operations or the proposed new business activities as described above in the next 12 months from the date of the Announcement.

The Board has considered other fund raising alternatives before resolving to the Open Offer, including but not limited to debt financing, placing of new Shares and rights issue. 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 two of its principal bankers for financing its business expansion, however, both principal bankers indicated that it was unlikely for the Company to obtain loan financing from them respectively without the pledge of assets. According to such principal banker, 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 two principal bankers indicated that a deep discount would be deducted from the pledged PPE. Accordingly, the PPE of the Company, amounting to approximately HK\$98.3 million as at 31 December 2014, would also not allow the Company to finance its need for the proposed business expansion. Therefore, given the fund raising size and the scale of business expansion of the Company, the Directors considered that it would not be feasible for the Company to obtain the required amount from bank financing at favourable terms. Placing of new Shares would only be available to certain placees who were not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders in

LETTER FROM THE BOARD

the Company. 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.

Although rights issue, as compared to an open offer, can provide an additional option to those Shareholders who do not wish to take up the entitlements by selling their entitled nil-paid rights, the Directors are of the view that if the Company is to carry out a rights issue instead of the Open Offer, the Company will incur (i) splitting costs for Shareholders who only take up their rights issue entitlement partially; (ii) the fee payable for nil-paid rights trading arrangement; (iii) additional printing costs of share certificates for new Shareholders who will purchase the nil-paid rights on the market; and (iv) additional professional fees for preparing and reviewing the provisional allotment letters and the excess application forms and liaising with the registrar of the Company. It is estimated that the additional costs and expenses of around HK\$200,000 would be incurred for such administrative work and the arrangement of trading the nil-paid rights. In addition, in view of the average trading volume in the past twelve months before the date of the Announcement, was only approximately 0.66% of the total issued Shares and on a monthly analysis of the average trading volume of the Shares, the Directors also noted that the average trading volume of the Shares during December 2014 and May to June 2015 recorded over 1.0% of the total issued Shares. The Directors consider that the Shares were actively traded at those limited times only and the trading volume dropped dramatically since early July 2015 and thus, there is uncertainty of the existence of a market to trade the nil-paid rights. In addition, although the Group recorded a profit before tax of approximately HK\$599.61 million for the six months ended 30 June 2015 which mainly attributable from unrealised gain on fair value changes of equity securities listed in Hong Kong of approximately HK\$626.52 million. The Directors consider without the financial effect of the gain on fair value changes of equity securities listed in Hong Kong, the Group then recorded a loss before tax of approximately HK\$26.91 million for the six months ended 30 June 2015.

Having considered and taken into account the extra administrative work and additional cost which will be involved for the trading arrangement of nil-paid rights, and in addition, in view of the relatively inactive historical trading volume of the Shares, there is uncertainty of existence of a market to trade in the nil-paid rights. And given that the loss-making position in terms of operating performance of the Group and all Qualifying Shareholders can have an equal opportunity to maintain their interests in the Company, the Board considers that it is important for the Group to minimise all costs which may be incurred during the raising funds by way of the Open Offer is more cost-effective and efficient as compared to a rights issue.

LETTER FROM THE BOARD

The objective of the Open Offer is to enable the Shareholders to maintain their proportionate interests in the Company should they wish to do so, ensuring stability in the Company's Shareholders' base, and to participate in the Company's future growth and development. The Board therefore considers, since the Open Offer will already give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro-rata shareholding interests in the Company, even without the right to trade their nil-paid rights as in a rights issue, on balance, to conduct the Open Offer instead of a rights issue will be more beneficial to the Company and the Shareholders in the current circumstances.

Having considered other fund raising alternatives for the Group as disclosed above, and taking into account the benefits and cost of each of the alternatives, the Directors (including the independent non-executive Directors) are of the view that the Open Offer is most appropriate fund raising activities to the Company and in the is in the interest of the Company and the Shareholders as a whole since it offers the Qualifying Shareholders the opportunity to maintain their pro-rata shareholding interests in the Company.

In assessing the fairness and reasonableness of the Open Offer, the Directors are of the view that:

- (i) the offer ratio of the Open Offer is determined after taking into account the estimated funding requirements of the Company and the Subscription Price;
- (ii) the Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, (i) the prevailing market price of the Shares prior to the Last Trading Day and the theoretical ex-entitlement price; and (ii) the net loss of the Group in terms of operating performance for the two consecutive financial years since 2013;
- (iii) in the course of considering the Open Offer, the Company has approached three securities houses, trying to obtain the best available terms for the Open Offer. Finally, the Company has entered into the Underwriting Agreement with a securities house, being the Underwriter, with the most competitive underwriting commission rate. During the negotiation of the Underwriting Agreement, it has been indicated to the Company that a subscription price with a relatively deep discount to the closing price is necessary to induce the Underwriter to participate in the underwriting of the Underwritten Shares, which is an essential part of the Open Offer. Based on the foregoing, without deep discount to historical trading price, it will be unlikely for the Group to obtain underwriting services for the Open Offer from the only available underwriter, being the Underwriter. Hence, taking into account the fund raising size and the need for setting the Subscription Price at a relatively deep discount for

LETTER FROM THE BOARD

inducing the Underwriter to provide underwriting services under the Open Offer, it has resulted in the offer ratio of the Open Offer with such dilutive impact to the Shareholders;

- (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 and trend of interest rate, the Directors consider it will be difficult to attract the Qualifying Shareholders to reinvest in the Company through the Open Offer under the volatile investment environment if the Subscription Price was not set at a relatively deep discount to the historical trading prices of the Shares;
- (v) the Open Offer will provide the Group with readily available fund for its acquired securities brokerage and margin financing businesses and money-lending business;
- (vi) under the Open Offer, 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 Open Offer, they will be subscribing the Offer Shares at a lower price as compared to the historical and prevailing market price of the Shares;
- (vii) the Open Offer is subject to Shareholders' approval, which means that the Shareholders have a right to disapprove the Open Offer;
- (viii) inherent dilutive nature of Open Offer in general if the Qualifying Shareholders did not take up their entitlements under the Open Offer in full. However, the Qualifying Shareholders have the first right to decide whether to accept their entitlements of the Offer Shares; and
- (ix) 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 Open Offer and shall be Independent Third Parties.

According to the Unaudited Pro Forma Financial Information of the Group, the adjusted unaudited pro forma consolidated net tangible assets of the Group as at 30 June 2015 immediately after the Open Offer per Share assuming no Options are exercised on or before the Record Date will be HK\$1.27 per Share which is lower than the adjusted unaudited pro forma consolidated net tangible assets of the Group as at 30 June 2015 before the Open Offer per Share of HK\$0.43 per Share.

LETTER FROM THE BOARD

Despite the significant reduction of approximately 66.1% in terms of the adjusted consolidated net tangible assets of the Group as at 30 June 2015 as stated above, having taken into account: (i) the use of proceeds from the Open Offer is consistent with the Company's view to diversify the Company's business portfolio in other business sector including securities trading, money lending business and other financial and property investment; (ii) the Open Offer would strengthen the capital base of the Group; (iii) the Open Offer is fair and reasonable when compare to other alternative as stated in page 30 of the revised circular; (iv) the Open Offer is on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company and allows the Qualifying Shareholders to participate in the growth of the Company; and (v) the discount rate of the Subscription Price to the prevailing market price of the Shares was necessary to encourage the Qualifying shareholders to participate the Open Offer, the Directors consider the Open Offer is in the interests of the Company and its Shareholders as a whole in light of the significant reduction in the unaudited consolidated net tangible assets per Share.

Fund raising exercises of the Company in the past 12 months

The Company had not conducted any fund raising exercise in the past 12 months immediately preceding the date of this announcement.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The current authorised share capital of the Company is HK\$100,000,000 divided into 1,000,000,000 Shares, whereas 959,676,724 Shares have been issued as of the date of this announcement. In order to accommodate the Open Offer, the Board proposes to increase the authorised share capital of the Company to HK\$1,000,000,000 divided into 10,000,000,000 Shares, by the creation of an additional 9,000,000,000 Shares. The additional Shares shall rank pari passu in all respects with the existing Shares. The increase in the proposed authorised share capital of the Company is conditional upon the approval of the Shareholders by way of an ordinary resolution.

CHANGE IN BOARD LOT SIZE

The Board announces that the board lot size of the Shares for trading on the Stock Exchange will be changed from 2,000 Shares to 20,000 Shares with effect from 9:00 a.m. on Tuesday, 22 December 2015.

The change in board lot size will not result in any change in the relative rights of the Shareholders. The Board is of the opinion that the change in board lot size is in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

Based on the theoretical ex-rights price of approximately HK\$0.23 per Share (calculated based on the closing price of HK\$0.47 per Share as quoted on the Stock Exchange on the Last Trading Day), the market value of each existing board lot is HK\$460 and the estimated market value of each proposed new board lot is HK\$4,600.

To alleviate the difficulties in trading odd lots of the Shares arising from the change in board lot size of the Shares, the Company has appointed Gransing Securities Co., Limited as an agent to provide matching services to the Shareholders who wish to top up or sell their holdings of odd lots of the Shares during the period from 9:00 a.m. on Tuesday, 22 December 2015 to 4:00 p.m. on Wednesday, 13 January 2016 (both dates inclusive). Holders of the Shares in odd lots represented by the existing share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full new board lot may directly or through Gransing Securities Co., Limited at 805-806 Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong (telephone: (852) 2544 0397 and facsimile: (852) 2544 8439) during such period. Holders of the Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

WARNING OF THE RISK OF DEALINGS IN SHARES

Shareholders and potential investors should note that the Open Offer 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 Open Offer may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares will be dealt in on an ex-entitlement basis commencing from Monday, 16 November 2015 and that dealing in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled.

LETTER FROM THE BOARD

Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on 4:00 p.m. on Thursday, 17 December 2015), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

GENERAL

As the Open Offer will increase the issued share capital of the Company by more than 50% within the 12 month period immediately preceding the date of the Announcement, the Open Offer is subject to, among other things, the approval by the Independent Shareholders at the SGM. As at the Latest Practicable Date, (i) the Company does not have any controlling Shareholder as defined under the Listing Rules; (ii) Mr. Huang Ying Yuan is an executive Director, chief executive and chairman of the Company, holding approximately 15.90% of the total issued Shares; and (iii) Mr. Chen Chun Chieh, Mr. Huang Shen Kai and Mr. Lai Kin Chung, Kenneth, being the executive Directors of the Company, do not hold any Shares. Therefore pursuant to the Listing Rules, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates are required to abstain from voting in favour of the resolution relating to the Open Offer.

An independent board committee of the Company comprising all the independent non-executive Directors has been established to make recommendation to the Independent Shareholders in respect of the Open Offer and the proposed increase of authorised share capital of the Company.

The SGM will be convened and held at 2:30 p.m. on Tuesday, 10 November 2015 at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong for the Independent Shareholders to consider, and if thought fit, to approve, among other things, the Open Offer and the transactions contemplated respectively thereunder by way of poll.

The notice convening the SGM is set out on pages SGM-1 to SGM-4 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in an event not less than 48 hours before the time scheduled for the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the SGM or any adjourned meeting should you so wish.

LETTER FROM THE BOARD

Upon approval of the Open Offer by the Independent Shareholders at the SGM, the Prospectus Documents setting out details of the Open Offer will be despatched to the Qualifying Shareholders on Friday, 27 November 2015 and the Prospectus will be despatched to the Non-Qualifying Shareholders for information only. No Application Form will be sent to the Non-Qualifying Shareholders.

RECOMMENDATION

The Directors (including the independent non-executive Directors after taking into account of the advice of Opus Capital) are of the opinion that the terms of the Open Offer and the increase in authorised share capital of the Company are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors after taking into account of the advice of Opus Capital) recommend the Independent Shareholders to vote in favour of all resolution(s) to be proposed at the SGM.

Your attention is drawn to the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders set out on pages 40 to 41 of this circular and the letter from Opus Capital containing its recommendation to the Independent Shareholders and the principal factors which it has considered in arriving at its recommendation with regard to the Open Offer, as set out on pages 42 to 77 of this circular.

Shareholders are advised to read carefully the letter from the Independent Board Committee regarding the Open Offer on pages 40 to 41 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 42 to 77 of this circular, considers that the terms of the Open Offer are fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Independent Shareholders. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the Open Offer and the Underwriting Agreement at the SGM.

ADDITIONAL INFORMATION

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

By the order of the Board
Lerado Group (Holding) Company Limited
Huang Ying Yuan
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Open Offer.



LERADO GROUP (HOLDING) COMPANY LIMITED

(隆成集團(控股)有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock code: 1225)

26 October 2015

To the Independent Shareholders

Dear Sirs or Madams,

**OPEN OFFER OF NOT LESS THAN 2,879,030,172 OFFER SHARES AND
NOT MORE THAN 2,960,330,172 OFFER SHARES AT THE
SUBSCRIPTION PRICE OF HK\$0.15 EACH ON THE BASIS OF THREE (3)
OFFER SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE
RECORD DATE**

We refer to the circular of the Company to the Shareholders dated 26 October 2015 (the "Circular") of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board as members to constitute the Independent Board Committee and to advise the Independent Shareholders in respect of the Open Offer and the transactions contemplated thereunder.

Opus Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Open Offer and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole. Details of its recommendation, together with the principal factors and reasons taken into consideration in arriving at such recommendation, are set out on pages 42 to 77 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 11 to 39 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the factors and reasons considered by, and the opinion of, Opus Capital as set out in the “Letter from Opus Capital” in the Circular, we are of the opinion that the terms of the Open Offer and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Open Offer the transactions contemplated thereunder.

Yours faithfully,

The Independent Board Committee

Mr. Mak Kwong Yiu

*Independent
non-executive Director*

Mr. Ye Jianxin

*Independent
non-executive Director*

Mr. Chern Shyh Feng

*Independent
non-executive Director*

LETTER FROM OPUS CAPITAL

Set out below is the text of a letter received from Opus Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer for the purpose of inclusion in this circular.

Opus | Capital Limited
創富融資有限公司

18TH Floor, Fung House
19-20 Connaught Road Central
Central, Hong Kong

26 October 2015

*To: The Independent Board Committee and the Independent Shareholders of
Lerado Group (Holding) Company Limited*

Dear Sirs,

**OPEN OFFER OF NOT LESS THAN 2,879,030,172 OFFER SHARES
AND NOT MORE THAN 2,960,330,172 OFFER SHARES AT
THE SUBSCRIPTION PRICE OF HK\$0.15 PER OFFER SHARE
ON THE BASIS OF THREE (3) OFFER SHARES
FOR EVERY ONE (1) EXISTING SHARE HELD ON
THE RECORD DATE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Open Offer, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 26 October 2015 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the Announcement whereby the Company announced the proposed Open Offer and change in board lot size (details of which are highlighted in the Letter from the Board under the section headed “Proposed Open Offer” and “Change in Board Lot Size” respectively). The Company proposed to raise not less than approximately HK\$431.85 million and not more than approximately HK\$444.05 million, before expenses, by way of an open offer of not less than 2,879,030,172 Offer Shares and not more than 2,960,330,172 Offer Shares at a subscription price of HK\$0.15 per Offer Share on the basis of three (3) Offer Shares for every one (1) existing Share held on the Record Date.

LETTER FROM OPUS CAPITAL

The Open Offer is fully underwritten by the Underwriter, on the terms and subject to the conditions set out in the Underwriting Agreement. We understand from the Company that the terms of the Underwriting Agreement were agreed after arm's length negotiations between the Company and the Underwriter with reference to the market rate, size of the Open Offer and the current and expected market conditions. The Open Offer is conditional upon, amongst other things, the passing of the resolution(s) at the SGM to approve the Open Offer becoming effective.

Since the Open Offer will increase the issued share capital of the Company by more than 50% within the 12 month period immediately preceding the date of the Announcement, in accordance with Rule 7.24 of the Listing Rules, the Open Offer must be made conditional on, amongst other things, the approval by the Independent Shareholders at the SGM at 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 on the resolution(s) relating to the Open Offer and the transactions contemplated thereunder.

As at the Latest Practicable Date, (i) the Company does not have any controlling Shareholder as defined under the Listing Rules; (ii) Mr. Huang Ying Yuan is an executive Director, chief executive and chairman of the Company, holding approximately 15.90% of the total issued Shares; and (iii) Mr. Chen Chun Chieh, Mr. Huang Shen Kai and Mr. Lai Kin Chung, Kenneth, being the executive Directors of the Company, do not hold any Shares. Therefore pursuant to the Listing Rules, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates are required to abstain from voting in favour of the resolution relating to the Open Offer.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Mak Kwong Yiu, Mr. Ye Jianxin and Mr. Chern Shyh Feng, all being the independent non-executive Directors, has been established by the Company to advise and make recommendations to the Independent Shareholders in respect of the Open Offer. Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee in this respect.

LETTER FROM OPUS CAPITAL

Our role as the Independent Financial Adviser is to advise the Independent Board Committee and the Independent Shareholders as to: (i) whether the terms of the Open Offer are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote on the relevant resolution(s) in relation to the Open Offer at the SGM.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with the appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things, the Underwriting Agreement, the Company's annual report for the financial year ended 31 December 2014 (the "**2014 Annual Report**"), the announcement of the Company dated 2 July 2015 (the "**Business Update Announcement**"), the Company's interim report for the six months ended 30 June 2015 (the "**2015 Interim Report**"), the Announcement and other information as set out in the Circular.

We have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Company (collectively, the "**Management**"). We have assumed that all information and representations contained or referred in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they are provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of SGM. We have also assumed that all statements of belief, opinion, explanation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

LETTER FROM OPUS CAPITAL

We consider that we have been provided with sufficient information to reach an informal view and to provide a reasonable basis for our opinion. However we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

We have not considered the tax implications, if any, on the Qualifying Shareholders of their acceptance or non-acceptance of the Open Offer since these are particular to their own individual circumstances. Qualifying Shareholders should consider their own tax position with regard to the Open Offer and, if any doubt, should consult their own professional adviser in due course.

The Directors have collectively and individually accepted full responsibility, including particulars given in compliance with the Listing Rules, for the accuracy of the information contained in the Circular and have confirmed, after having made all reasonable enquires, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other matters of facts, the omission of which would make any statement herein or the Circular misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the Open Offer, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any purpose with our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Open Offer, we have taken into consideration the following principal factors and reasons:

Business overview of the Group

The Company is an investment holding company. The principal activities of its subsidiaries are manufacturing and the distribution of toys and medical products.

LETTER FROM OPUS CAPITAL

Set out below are the consolidated financial results of the Group for the two financial years ended 31 December 2013 and 2014 and six months ended 30 June 2015, as extracted from the 2014 Annual Report and the 2015 Interim Report:

Table 1: Highlights of the financial results of the Group

	Six months		
	ended 30 June	Year ended 31 December	
	2015	2014	2013
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Revenue	62.61	154.68	147.58
Profit/(Loss) after taxation	496.38	(146.00)	(19.83)
— <i>From operating activities</i>	496.38	(17.68)	(26.20)
— <i>From discontinued operations</i>	—	(128.32)	6.37

Source: 2014 Annual Report and 2015 Interim Report

For the financial year ended 31 December 2014 (“**FY2014**”), the Group recorded revenue of approximately HK\$154.68 million, representing an increase of approximately 4.81% as compared to the financial year ended 31 December 2013 (“**FY2013**”). During FY2014, the Group decided to dispose of the operation of manufacturing and distribution of juvenile and infant products business and concentrate its resources on the manufacturing and distribution of medical products and plastic toy business.

The loss of the Group has also increased by approximately 636.26%, from approximately HK\$19.83 million in FY2013 to approximately HK\$146.00 million in FY2014.

As stated in the 2014 Annual Report, the loss for the year from discontinued operations of approximately HK\$128.32 million was mainly attributable to the estimated loss on disposal of subsidiaries with its operation in juvenile and infant products totalling approximately HK\$116.8 million recognised during the year.

For the six months ended 30 June 2015, the Group recorded revenue of approximately HK\$62.61 million and profit after taxation of approximately HK\$496.38 million. The decrease in revenue of approximately 12.16% over the corresponding period last year (2014: approximately HK\$71.28 million) was mainly due to a decrease in sales of medical products, resulting from lower demand and less orders from US customers for powered scooters.

LETTER FROM OPUS CAPITAL

The increase in profit after taxation for the six months ended 30 June 2015 was mainly due to the new securities investment business of the Group which recorded a gain on fair value changes of held-for-trading investments of approximately HK\$626.52 million for the period.

Table 2: Revenue breakdown of the Group

	FY2014 <i>(HK\$ million)</i>	Percentage to total revenue <i>(%)</i>	FY2013 <i>(HK\$ million)</i>	Percentage to total revenue <i>(%)</i>
Medical products	130.85	84.59	118.98	80.62
Plastic toys	23.83	15.41	28.60	19.38
Revenue	<u>154.68</u>	<u>100.0</u>	<u>147.58</u>	<u>100.0</u>

Source: 2014 Annual Report

As shown in the table above, the revenue from medical products was the main revenue source for the latest two financial years. As stated in the 2014 Annual Report, the increase in revenue in FY2014 was mainly attributable to the increase in sales of medical products. The increase in the segmental revenue of medical products by approximately 9.98% was mainly due to higher demand and more orders from overseas customers for powered scooters. The decrease in the segmental revenue of plastic toys by approximately 16.68% was mainly due to intense competition in the market and the decline in orders from customers from the Middle East.

As stated in the 2015 Interim Report, the Group discontinued the juvenile and infant products business in October 2014 and the Group acquired a new business in trading of garment accessories during the the six months period ended 30 June 2015. As discussed with the Management, the Group is organised as one operating division for management purpose and therefore has only one operating segment — medical products and other business, which comprises: (i) manufacturing and distribution of medical care products like powered and non-powered mobility aid, wheel chairs and other durable medical equipment; (ii) manufacturing and distribution of plastic toys like swings, slides and children furniture; and (iii) trading of garment accessories.

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Set out below are highlights of the financial position of the Group as at 31 December 2013 and 2014, and 30 June 2015 as extracted from the 2014 Annual Report and the 2015 Interim Report:

Table 3: Highlights of the financial position of the Group

	Six months		
	ended 30 June	Year ended 31 December	
	2015	2014	2013
	(HK\$ million)	(HK\$ million)	(HK\$ million)
Cash and cash equivalent	544.91	796.97	219.19
Current assets	1,507.10	957.33	1,024.33
Current liabilities	431.84	424.70	529.47
Net current assets	1,075.26	532.63	494.86
Net assets	1,261.74	632.87	1,138.86

Source: 2014 Annual Report and 2015 Interim Report

The net assets of the Group has decreased from approximately HK\$1,138.86 million as at 31 December 2013 to approximately HK\$632.87 million as at 31 December 2014, representing a decrease of approximately 44.43%. The net assets of the Group subsequently increased to approximately HK\$1,261.74 million as at 30 June 2015. The increase was mainly due to the increase in fair value of held-for-trading investments amounting to approximately HK\$702.08 million as at 30 June 2015 from approximately HK\$5.32 million as at 31 December 2014. This was mainly due to the gain on fair value change of held-for-trading investment of approximately HK\$626.52 million recognised during the six months ended 30 June 2015. As stated in the 2015 Interim Report, subsequently, as at 28 August 2015, being the approval date for issuance of the 2015 Interim Report, the fair value of the held-for-trading investments has decreased by approximately 11% as compared to the fair value of the held-for-trading investments as at 30 June 2015.

The significant increase in cash and cash equivalent of the Group from approximately HK\$219.19 million as at 31 December 2013 to approximately HK\$796.97 million as at 31 December 2014 was mainly due to the disposal of subsidiaries as stated in the announcement of the Company dated 16 June 2014 (the “**Disposal Announcement**”). As stated in the Disposal Announcement, the Company entered into a sale and purchase agreement with Maxi Miliaan BV (the “**Buyer**”) to dispose of the entire issued share capital of eight wholly-owned subsidiaries of the Company, together with their respective subsidiaries, that were engaged in the Group’s juvenile and infant business (the “**Disposal**”). As stated in the 2014 Annual Report, the cash amount of HK\$307.4 million

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that has been paid by the Buyer to the Company is being disputed and claimed by the Buyer. Therefore this amount was presented as deferred consideration in the consolidated statement of financial position of the Group as at 31 December 2014. As stated in the announcement of the Company dated 28 May 2015, the Company has acquired properties in Liaoning Province, PRC with a consideration of approximately RMB64.57 million (representing approximately HK\$81.36 million). As stated in the announcement of the Company dated 2 July 2015, the Company allocated approximately HK\$200.0 million of the consideration received from the Disposal to increase the share capital of Yim Cheong Share Broking and Investment Company Limited (former name of Black Marble Securities). In addition, as at the Latest Practicable Date, the Company has invested approximately HK\$65.4 million in securities investment. The Company has allocated the remaining cash of the Group for working capital.

As discussed with the Management, it is the intention of the Group to expand the medical business into the PRC domestic market and develop new products to enlarge product offering in light of the growing aging population in the PRC. The Group also intends to take an active approach in generating immediate revenue and diversifying the Company's business portfolio in sectors including: securities trading; margin financing business; money lending business; and other financial and property investments, given the Directors' financial knowledge and background and the Company's cash position. However, such expansion and investments in these new businesses would require substantial capital which may exert pressure on the liquidity of the Group. Therefore, the Directors are of the view that the Open Offer can provide the required funding for the Group to expand the securities brokerage, margin financing businesses and money-lending business in Hong Kong.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The net proceeds to be raised from the Open Offer, being not less than HK\$422.27 million but not more than HK\$434.22 million, are intended to be applied as follows:

- (i) approximately HK\$288 million, representing approximately 68.2% of the net proceeds from the Open Offer for the investment in Black Marble Securities;
- (ii) approximately HK\$117 million, representing approximately 27.7% of the net proceeds from the Open Offer for the operation of the money-lending business in Hong Kong through BlackMarble Capital;
- (iii) the remaining net proceeds from the Open Offer for general working capital of the Group.

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Investment in Black Marble Securities

Black Marble Securities is an indirect wholly-owned subsidiary of the Company. It has a Stock Exchange Trading Right and license to carry out Type 1 (dealing in securities) regulated activity under the SFO. Black Marble Securities is principally engaged in securities brokerage and margin financing business. As stated in the Letter from the Board, the Company intends to inject approximately HK\$180 million into Black Marble Securities as its share capital and general working capital and approximately HK\$108 million for its margin financing facility to its clients. As stated in the Circular and as discussed with the Management, as at the Latest Practicable Date, Black Marble Securities has an aggregate of approximately 90 clients, out of which approximately 25 are margin financing clients and approximately 10 are professional investors (as defined in the SFO as extended by the Securities and Futures (Professional Investor) Rules (Chapter 571D) of the Laws of Hong Kong). As stated in the Letter from the Board, currently 20 potential and existing clients have enquired with Black Marble Securities in relation to margin financing with an aggregate amount of HK\$150 million.

As stated in the Letter from the Board, Yim Cheong (as defined in the Letter from the Board), the former name of Black Marble Securities, entered into a placing agreement with GreaterChina (as defined in the Letter from the Board). Yim Cheong has conditionally agreed to place, on a fully underwritten basis, a total of not less than six places to subscribe for an aggregate of 2,600,000,000 placing shares at a price of HK\$0.10 per placing share. In order to fulfill the requirements under the SFO, Black Marble Securities is required to maintain a sufficient level of financial resources. In addition, Black Marble Securities is currently discussing with several potential clients and will enter into placing agreements and/or underwriting agreements with such clients to act as their placing agent and/or underwriter. As discussed with the Management, the Directors are of the view that by having an enlarged capital base, Black Marble Securities will be able to capture more business opportunities and expand its business.

As discussed with the Management, Black Marble Securities is currently discussing with three potential clients and will enter into underwriting agreements with such clients to act as their underwriter. In considering the underwriting agreements that are in discussion between Black Marble Securities and the clients, the total underwriting commitment is expected to be approximately HK\$1,120 million, subject to further negotiation between Black Marble Securities and its potential clients regarding the structure of the fund raising activities. According to the Securities and Futures (Financial Resources) Rules (the “**FRR Rules**”) of the Securities and Futures Commission (the “**SFC**”), corporations licensed under the SFO to carry out Type 1 regulated activity under the SFO are required to maintain liquidity capital of approximately 1%-15% of the net underwriting commitment,

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the percentage of which depends on the difference between the subscription price and the market price of the listed companies and the share categories of the listed companies. Therefore, the potential underwriting commitment under discussion shall require approximately HK\$11 million to approximately HK\$168 million to maintain the liquidity capital of Black Marble Securities.

The Directors also note that the number of companies listed on the Stock Exchange is increasing and the total equity funds raised by companies listed on the Stock Exchange is showing an increasing trend. Set out below is the total number of companies listed on the Stock Exchange from 2012 up to September 2015:

Table 4: Total number of companies listed on the Stock Exchange

Year	Total Number of Listed Companies
2012	1,547
2013	1,643
2014	1,752
2015 (up to September 2015)	1,816

Source: Stock Exchange

As shown in the table above, the total number of companies listed on the Stock Exchange has increased from 1,547 in 2012 to 1,752 in 2014, representing a compound annual growth rate (“CAGR”) of approximately 6.42%. Set out below is the total equity funds raised as stated in the HKEx Fact Book 2014 and the HKEx Monthly Market Highlights – September 2015:

Table 5: Total equity funds raised

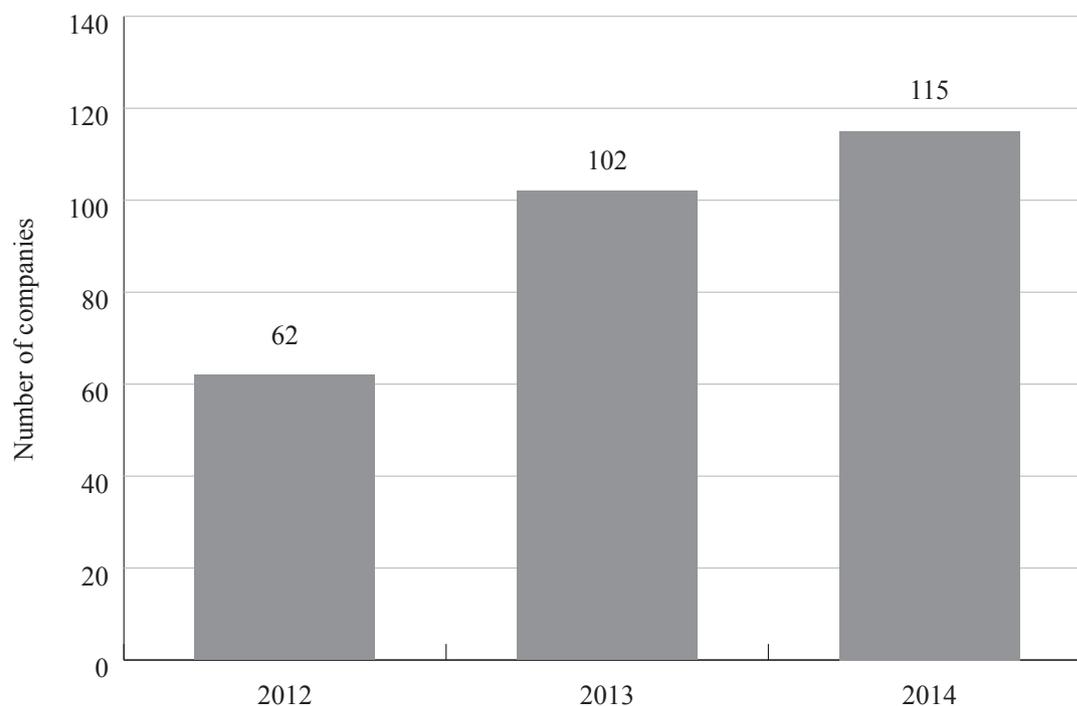
Year	Equity funds raised (HK\$ billion)
2012	305.36
2013	378.86
2014	942.72
2015 (up to September 2015)	851.12

Source: Stock Exchange

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As shown in the table above, total equity funds raised has increased from approximately HK\$305.36 billion in 2012 to approximately HK\$942.72 billion in 2014, representing a CAGR of approximately 75.71%. This demonstrated a healthy growth in funds raised from the equity capital market in Hong Kong by listed companies.

Chart 1: Number of newly listed companies

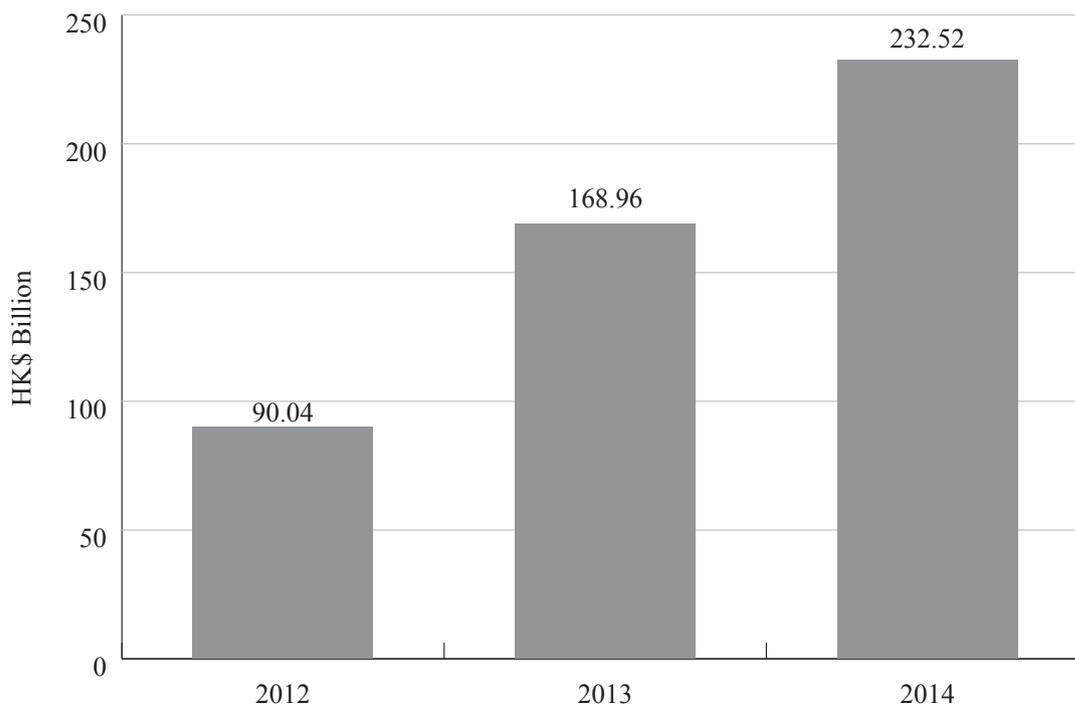


Source: Stock Exchange

As shown in the chart above, the number of new listed companies (excluding the number of companies that transfer its listing from the Growth Enterprise Market (the “**GEM**”)) has increased from 62 in 2012 to 115 in 2014, representing a CAGR of approximately 36.19%. Up to 30 September 2015, there are 72 new listed companies on the Stock Exchange (excluding the number of companies that transfer its listing from GEM), already indicating an increasing trend of companies seeking listing on the Stock Exchange.

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Chart 2: Equity funds raised from initial public offering



Source: Stock Exchange

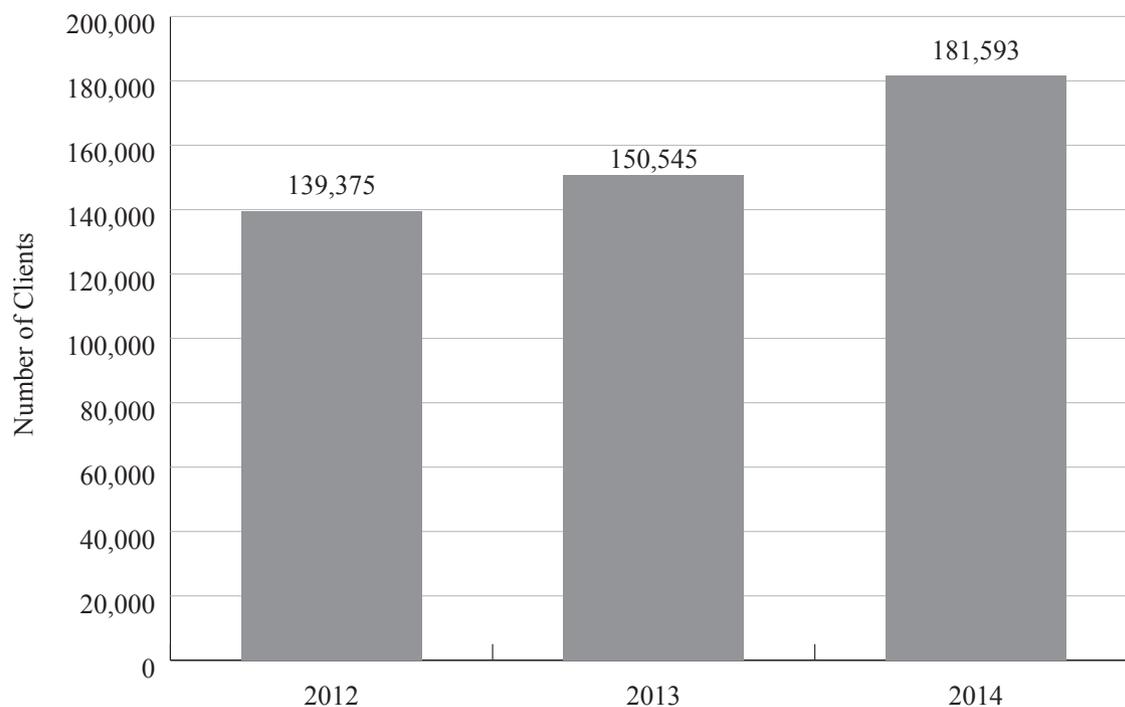
As shown in the chart above, the equity funds raised from initial public offering has increased from approximately HK\$90.04 billion in 2012 to approximately HK\$232.52 billion in 2014, representing a CAGR of approximately 60.70%. Up to 30 September 2015, the equity funds raised from initial public offers were approximately HK\$156.38 billion.

Corporations licensed under the SFO to carry out Type 1 regulated activity under the SFO are typically engaged in share placements and underwriting exercises of listed companies in their fund raising activities or initial public offerings by newly listed companies. With the encouraging growth in funds raised via equity, coupled with the annual increase in number of listed companies, the Directors are of the view that Black Marble Securities, with its Type 1 license, is expected to benefit from such positive financial market outlook.

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Set out below is the total number of active margin clients as disclosed in the *Financial Review of the Securities Industry* by the SFC:

Chart 3: Total number of active margin clients



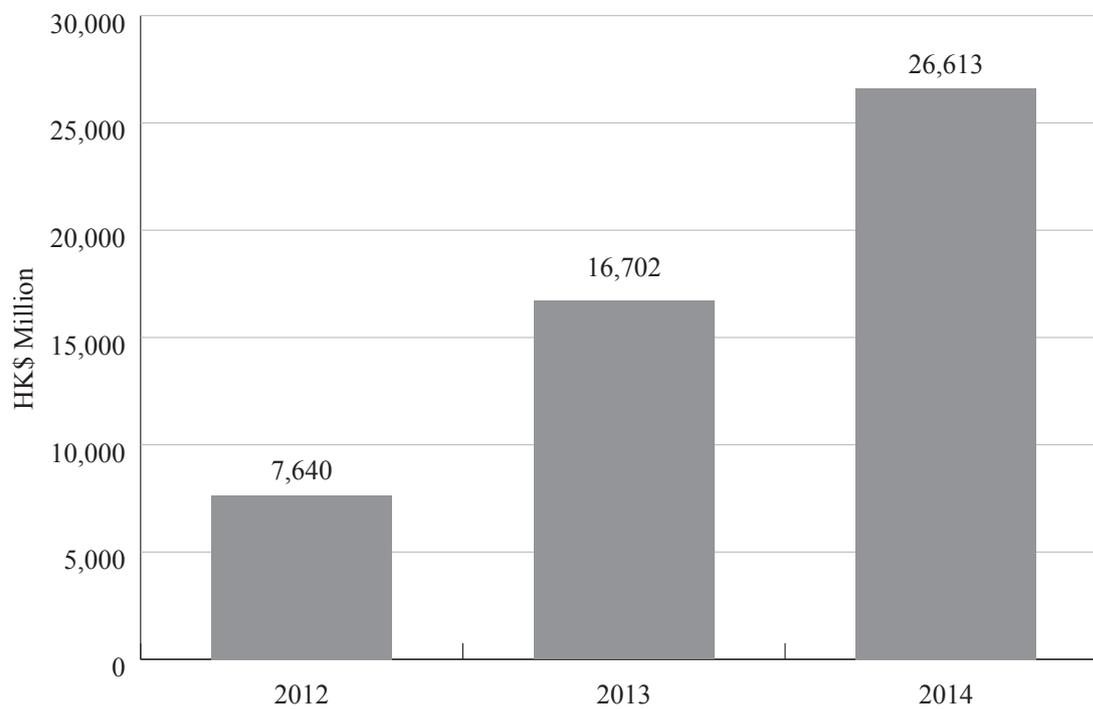
Source: SFC

As shown in the chart above, the total number of active margin clients has increased from 139,375 in 2012 to 181,593 in 2014, representing a CAGR of approximately 14.15%.

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Set out below is the net income of securities dealers and securities margin financiers:

Chart 4: Net income of securities dealers and securities margin financiers



Source: SFC

As shown in the chart above, the net income of securities dealers and securities margin financiers has increased from approximately HK\$7,640 million in 2012 to approximately HK\$26,613 million in 2014, representing a CAGR of approximately 86.64%.

With the positive growth in active margin clients that resulted in a significant increase in net income of securities deals and securities margin financiers, representing the two major activities undertaken by Black Marble Securities, we concur with the Directors' view that it is in the interest of the Company and the Shareholders to allocate approximately HK\$288 million of the net proceeds of the Open Offer for the investment in Black Marble Securities.

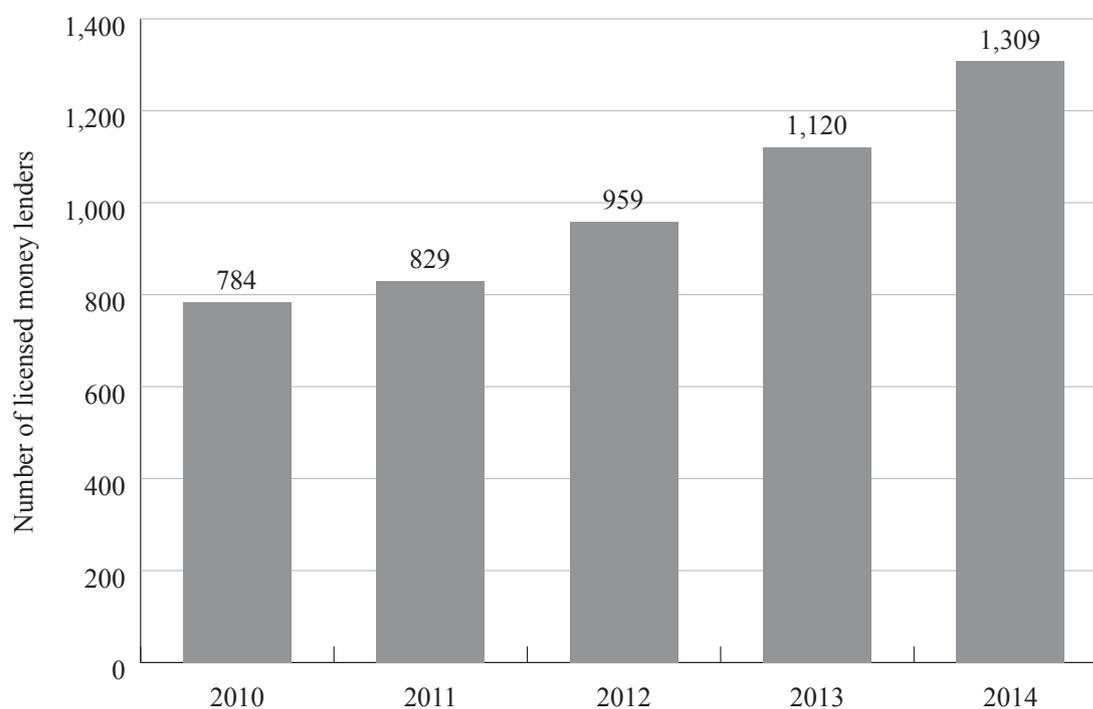
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Money Lending Industry Outlook

As stated in the Business Update Announcement, the Group has commenced its money lending business in Hong Kong through BlackMarble Capital, an indirect wholly-owned subsidiary of the Company and a licensed money lender in Hong Kong under the Money Lenders Ordinance.

Set out below is the total value of loans and advances granted by licensed money lenders in Hong Kong:

Chart 5: Number of licensed money lenders in Hong Kong



Source: Company Registry of Hong Kong

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As shown in the chart above, the number of licensed money lenders in Hong Kong has increased from 784 in 2010 to 1,309 in 2014, representing a CAGR of approximately 13.67%.

As discussed with the Management and as stated in the Circular, the Company is allocating approximately HK\$117 million of the net proceeds from the Open Offer for the investment in BlackMarble Capital, of which HK\$100 million will be used as customers lending and the remaining HK\$17 million will be used for operation of the money lending business. As stated in the Letter from the Board, BlackMarble Capital is in negotiation with two individual for an aggregate loan amount of approximately HK\$36.0 million at an interest rate ranging from 12% to 20% per annum. In addition, BlackMarble Capital is also engaged in discussion with two licensed money lenders in Hong Kong for an aggregate loan amount of HK\$40 million at an interest rate ranging from 8% to 10% per annum for a term of two years. In view of the above, we are of the view that it is acceptable to allocate HK\$100 million for loans to customers. As discussed with the Management, the HK\$17 million will be allocated for the operation of the money lending business of BlackMarble Capital, including but not limited to rental expense and staff salaries.

In view of the above, we concur with the Directors' view that it is in the interest of the Company and the Shareholders to allocate approximately HK\$117 million of the net proceeds of the Open Offer for operation of the money-lending business in Hong Kong through BlackMarble Capital.

Other financing alternatives available to the Group

As highlighted in the Letter from the Board, when formulating the structure of the Open Offer, the Directors have considered various fund raising alternatives for the Group including but not limited to debt financing and placing of new Shares and rights issue. Taking in account the benefits and costs of each of the alternatives, the Board considers that the Open Offer is in the interest of the Company and the Shareholders as a whole as it gives the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and participate in the growth and development of the Group.

As discussed with the Management, the Board believes that it is prudent to finance the Group's long term growth by long term financing, preferably in the form of equity which will not increase the Group's finance cost. The Board believes that debt financing will result in additional interest burden to and higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, the Directors consider that it will not be feasible for the Company to obtain the required amount from bank financing at favourable terms. As stated in the Letter from the Board, the Company has attempted to obtain loan

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financing from two of its principal bankers for financing its business expansion. However, both principal bankers indicated that it was unlikely for the Company to obtain loan financing from them respectively without the pledge of assets. According to such principal banker, 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 two principal bankers indicated that a deep discount would be applied from the pledged PPE. Moreover, placing of new Shares would not be available for all Qualifying Shareholders but only to identified investors who were not necessarily be the existing Shareholders and would possibly dilute the shareholding of the existing Shareholders. In comparing placing of new Shares with an open offer, an open offer gives the Qualifying Shareholders the opportunity to participate in the business expansion of the Company on equal term, and to maintain their respective pro-rata shareholding interests in the Company to avoid dilution of their respective shareholding if they choose to subscribe for the open offer.

The Open Offer will be fully underwritten by the Underwriter on the terms and subject to the conditions set out in the Underwriting Agreement. We consider that entering into the Underwriting Agreement will ensure the Group to raise the required funding under the Open Offer and remove a certain degree of uncertainty as compared to best-efforts placements, which is in the interest of the Company.

As stated in the Letter from the Board, although rights issue, as compared to an open offer, can provide an additional option to those Shareholders who do not wish to take up the entitlements by selling their entitled nil-paid rights, the Directors are of the view that if the Company is to carry out a rights issue instead of the Open Offer, the Company will incur (i) splitting costs for Shareholders who only take up their rights issue entitlement partially; (ii) the fee payable for nil-paid rights trading arrangement; (iii) additional printing costs of share certificates for new Shareholders who will purchase the nil-paid rights on the market; and (iv) additional professional fees for preparing and reviewing the provisional allotment letters and the excess application forms and liaising with the registrar of the Company. It is estimated that the additional costs and expenses of around HK\$200,000 would be incurred for such administrative work and the arrangement of trading the nil-paid rights. In addition, although the Group recorded a profit after tax of approximately HK\$496.38 million for the six months ended 30 June 2015 which was mainly attributable from unrealised gain on fair value changes of equity securities listed in Hong Kong of approximately HK\$626.52 million, the Directors consider that without the financial effect of the gain on fair value changes of equity securities listed in Hong Kong, the Group then recorded a loss before tax of approximately HK\$26.91 million for the six months ended 30 June 2015.

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In addition to the extra administrative work and cost incurred for trading arrangement of nil-paid rights, having considered the general downward trend of the historical trading price of the Shares before the date of the Underwriting Agreement, details of which are stated in the sub-section of this letter headed “Review on share price performance” below, we concur with the Directors’ view that there is uncertainty of existence of a market to trade in the nil-paid rights and Shareholders may not be able to trade their nil-paid rights if they wish to do so.

Having taken into account the financial needs of the Group, the possible benefits of the Open Offer and the availability of and comparison with other financing alternatives, we concur with the Directors that the Open Offer is in the interests of the Company and the Shareholders as a whole.

PRINCIPLE TERMS OF THE OPEN OFFER

The Company proposes to raise not less than approximately HK\$431.85 million and not more than approximately HK\$444.05 million, before expenses, by way of an Open Offer of not less than 2,879,030,172 Offer Shares and not more than 2,960,330,172 Offer Shares at a subscription price of HK\$0.15 per Offer Share on the basis of three (3) Offer Shares for every one (1) existing Share held on the Record Date. The following table summarises the major terms of the Open Offer:

Basis of the Open Offer:	Three (3) Offer Shares for every one (1) existing Share held on the Record Date
Subscription Price:	HK\$0.15 per Offer Share
Number of Shares in issue as at the date of the Circular:	959,676,724 Shares
Number of Offer Shares:	Not less than 2,879,030,172 Offer Shares (assuming no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date) and not more than 2,960,330,172 Offer Shares (assuming full exercise of all the outstanding and exercisable Share Options and no other issue of any Shares on or before the Record Date)

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Number of Offer Shares underwritten by the Underwriter:	Not less than 2,879,030,172 Offer Shares (assuming no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date) and not more than 2,960,330,172 Offer Shares (assuming full exercise of all the outstanding and exercisable Share Options and no other issue of any Shares on or before the Record Date). The Open Offer is fully underwritten
Number of Shares in issue upon completion of the Open Offer:	3,838,706,896 Shares (assuming no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date) and 3,947,106,896 Shares (assuming full exercise of all the outstanding and exercisable Share Options and no other issue of any Shares on or before the Record Date)

As stated in the Letter from the Board, as at the Latest Practicable Date, the Company has outstanding Share Options carrying rights to subscribe for a total of 27,100,000 new Shares. Assuming no grant of Share Options by the Company and full exercise of the subscription rights attaching to such outstanding and exercisable Share Options, an additional 81,300,000 Offer Shares will be issued. Save for the Share Options, as at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

The Subscription Price of HK\$0.15 per Offer Share will be payable in full upon application. The Subscription Price represents:

- (a) a discount of approximately 68.09% to the closing price of HK\$0.47 per Share as quoted on the Stock Exchange on the Last Trading Day and the date of the Underwriting Agreement;
- (b) a discount of approximately 34.78% to the theoretical ex-entitlement price of approximately HK\$0.23 based on the closing price of HK\$0.47 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 68.75% to the average closing price of approximately HK\$0.48 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day;

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- (d) a discount of approximately 77.27% to the audited consolidated net asset value per Share of approximately HK\$0.66 (based on the latest published audited net asset value of the Group of HK\$632,866,000 as at 31 December 2014 and 959,676,724 Shares in issue as at the Latest Practicable Date); and
- (e) a discount of approximately 39.52% to the closing price of HK\$0.248 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

As stated in the Letter from the Board, the Subscription Price was arrived at arm's length negotiation between the Company and the Underwriter with reference to, among other things, the prevailing market price of the Shares prior to the Last Trading Day and the theoretical ex-entitlement price, and the net loss of the Group in terms of operating performance for the two consecutive years since 2013.

ANALYSIS ON THE SUBSCRIPTION PRICE

For the purpose of assessing the fairness and reasonableness of the Subscription Price, we have compared the Subscription Price with reference to: (i) the recent price performance of the Shares; and (ii) the market comparable analysis, as follows:

Review on share price performance

The following table illustrates the highest and lowest closing prices and the average closing price of the Shares as quoted on the Stock Exchange in each month during the period commencing from 15 August 2014 up to and including the Last Trading Day (the "Review Period").

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Table 6: Historical daily closing prices of the Shares during the Review Period

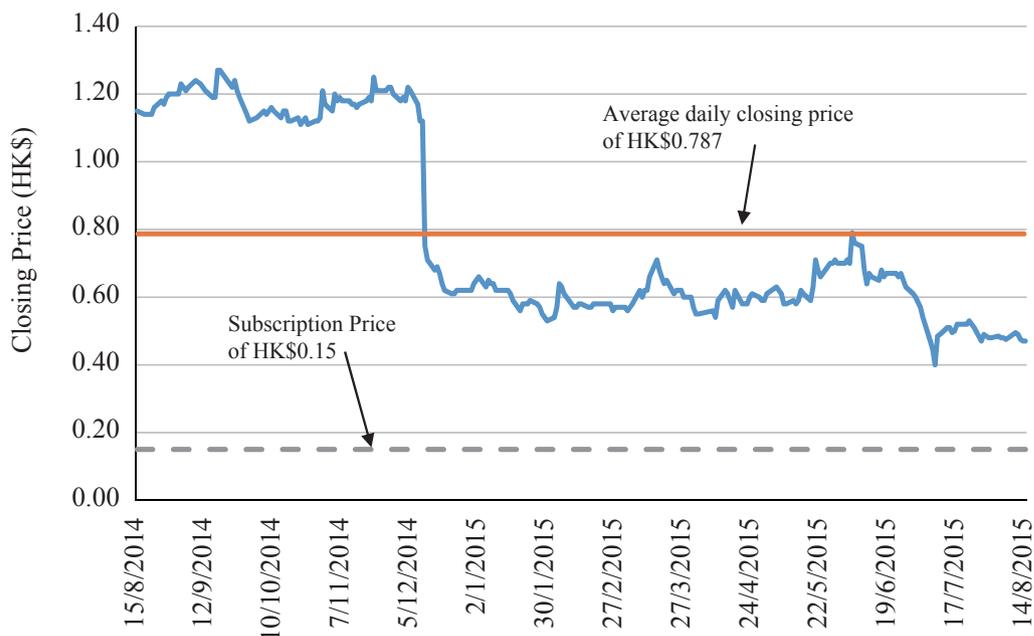
Month	Highest daily closing price of the Shares <i>(HK\$)</i>	Lowest daily closing price of the Shares <i>(HK\$)</i>	Average daily closing price of the Shares <i>(HK\$)</i>	Number of trading days in each month <i>(days)</i>
2014				
August (From 15 August 2014)	1.200	1.140	1.165	11
September	1.270	1.120	1.215	21
October	1.210	1.110	1.138	21
November	1.250	1.150	1.191	20
December	1.220	0.610	0.851	21
2015				
January	0.660	0.530	0.598	21
February	0.640	0.540	0.581	18
March	0.710	0.560	0.616	22
April	0.620	0.540	0.586	19
May	0.710	0.580	0.636	19
June	0.790	0.600	0.676	22
July	0.570	0.400	0.497	22
August (up to and including the Last Trading Day)	0.495	0.470	0.480	10

Source: Stock Exchange

During the Review Period, the daily closing price of the Shares ranged from HK\$0.40 to HK\$1.27 per Share. In addition, the following chart highlights the movements of the daily closing price of the Shares as quoted from the Stock Exchange during the Review Period.

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Chart 6: Historical daily closing prices of the Shares during the Review Period



Source: Stock Exchange

We note that the Subscription Price of HK\$0.15 falls below the daily closing price of the Shares at all times throughout the Review Period and it represents: (i) a discount of approximately 88.19% from the highest closing price of HK\$1.27; (ii) a discount of approximately 62.50% from the lowest closing price of HK\$0.40; and (iii) a discount of approximately 80.94% from the average daily closing price of the Shares of HK\$0.787 during the Review Period.

As all Qualifying Shareholders are entitled to subscribe for the Offer Shares in the same proportion as his/her/its existing shareholding in the Company held on the Record Date, the Directors consider that the discount of the Subscription Price would encourage the Qualifying Shareholders to take up their entitlements so as to maintain their shareholding in the Company and participate in the future growth of the Group. We concur with the Director's view that the Subscription Price is acceptable.

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Comparison with the Open Offer Comparables

In order to reflect the general trend of open offer transactions in the recent market, we have, on a best effort basis, conducted a search of all recent open offers announced within the six-month period from 15 February 2015 up to the Last Trading Day (the “**Comparison Period**”). We are of the opinion that due to the volatility of the share prices of the companies listed on the Stock Exchange, the Comparison Period reflects a fair and recent period of comparison for the Open Offer. As the capital market changes rapidly, we consider that the Open Offer Comparables (as defined below) reflects the latest market conditions of open offer. During the Comparison Period and based on our research conducted, we identified a total of 35 open offers announced by companies listed on the Stock Exchange (the “**Open Offer Comparables**”). To the best of our knowledge, effort and endeavour and based on our search conducted, the list of the Open Offer Comparables is an exhaustive list of comparable open offers for comparison purpose. We also noted that the business activities of the Open Offer Comparables are not directly comparable to those carried out by the Group and the terms of the open offer of the Open Offer Comparables may vary from companies with different financial standings, business performance and future prospects. Since the Open Offer Comparables are the most recent open offer transactions announced to the public, we consider that the Open Offer Comparables could represent the recent trend of the open offer transactions in the prevailing market condition and could provide a general reference in respect of the common market practice on open offers conducted by listed companies in Hong Kong. The details are set out below:

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Table 7: Comparable analysis of the Open Offer Comparables

Company Name	Stock Code	Announcement Date	Basis of entitlement	Discount of the subscription price to the closing price per Share on the last trading day prior to/on the date of announcement in relation to the respective open offer (%)	Discount of the subscription price to the entitlements price per share on the last trading day prior to/on the date of announcement in relation to the respective open offer (%)	Underwriting Commission (%)	Excess Application
Huili Resources (Group) Ltd	1303	12/8/2015	1 for 2	57.26	47.20	3.40	Yes
Neo Telemedia Ltd	8167	11/8/2015	1 for 2	77.51	69.67	1.50	No
U-Home Group Holdings Ltd	2327	4/8/2015	1 for 2	17.46	12.36	2.00	Yes
International Standard Resources Holdings Ltd	91	30/7/2015	1 for 4	34.12	29.29	2.50	Yes
Golden Meditech Holdings Ltd	801	27/7/2015	1 for 2	7.41	4.76	2.00	Yes
China 33 Media Group Ltd	8087	24/7/2015	7 for 1	75.61	28.57	1.50	No
Ding He Mining Holdings Ltd	705	22/7/2015	1 for 2	54.95	44.75	2.50	No
China Environmental Resources Group Ltd	1130	17/7/2015	1 for 2	41.41	32.08	2.00	No
Sau Sun Tong Holding Ltd	8200	7/7/2015	1 for 1	12.28	6.54	2.50	No
IRC Ltd	1029	29/6/2015	4 for 15	38.20	32.80	5.00	No
Fujian Holding Ltd	181	29/6/2015	1 for 2	59.60	49.37	2.50	Yes
Wuling Motors Holdings Ltd	305	18/6/2015	1 for 5	15.66	13.37	0.00	Yes
Tai Shing International (Holding) Ltd	8103	17/6/2015	1 for 2	59.68	49.66	3.00	No
China National Culture Group Ltd	745	8/6/2015	1 for 1	76.40	61.80	2.00	No
New City Development Group Ltd	456	3/6/2015	1 for 4	24.32	20.45	0.00	No
APAC Resources Ltd	1104	27/5/2015	1 for 2	50.74	40.72	2.00	Yes
National United Resources Holdings Ltd	254	22/5/2015	1 for 2	53.57	43.48	1.50	No
Wealth Glory Holdings Ltd	8269	22/5/2015	1 for 2	34.00	25.50	3.00	No
Hailiang International Holdings Ltd	2336	15/5/2015	1 for 2	34.07	25.60	0.75	Yes
China Kingstone Mining Holdings Ltd	1380	14/5/2015	1 for 2	61.50	51.70	3.50	No
Mastermind Capital Ltd	905	13/5/2015	2 for 1	59.50	28.10	2.44	No
Merdeka Mobile Group Ltd	8163	8/5/2015	2 for 1	76.62	52.13	2.50	Yes
China Vehicle Components Technology Holdings Ltd	1269	4/5/2015	1 for 1	86.80	76.60	2.00	Yes

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Company Name	Stock Code	Announcement Date	Basis of entitlement	Discount of the subscription price to the closing price per Share on the last trading day prior to/on the date of announcement in relation to the respective open offer (%)	Discount of the subscription price to the entitlements price per share on the last trading day prior to/on the date of announcement in relation to the respective open offer (%)	Underwriting Commission (%)	Excess Application
Hua Han Bio-Pharmaceutical Holdings Ltd	587	28/4/2015	1 for 2	43.48	33.91	2.50	Yes
RCG Holdings Ltd	802	24/4/2015	5 for 1	78.40	37.80	2.00	No
China Culiangwang Holdings Ltd	904	17/4/2015	2 for 1	77.80	53.80	2.50	No
Century Sunshine Group Holdings Ltd	509	14/4/2015	1 for 2	47.37	37.50	1.50	No
Jun Yang Solar Power Investments Ltd	397	13/4/2015	1 for 2	25.71	18.75	2.50	No
Seamless Green China Holdings Ltd	8150	8/4/2015	1 for 2	17.14	12.12	1.50	No
Powerwell Pacific Holdings Ltd	8265	31/3/2015	1 for 2	24.73	17.94	2.00	No
EPI Holdings Ltd	689	31/3/2015	1 for 2	45.10	35.30	1.00	No
Chi Energy Holdings Ltd	8009	24/3/2015	1 for 1	40.48	25.37	2.50	No
Celebrate International Holdings Ltd	8212	18/3/2015	30 for 1	92.90	29.70	3.00	Yes
Capital VC Ltd	2324	13/3/2015	5 for 1	76.60	28.60	1.00	No
Heng Fai Enterprises Ltd	185	27/2/2015	1 for 10	11.50	10.60	2.50	Yes
Average				48.20	33.94	2.13	
Maximum				92.90	76.06	5.00	
Minimum				7.41	4.76	0.00	
The Company	1225	14/8/2015	3 for 1	68.09	34.78	2.00	No

Source: Stock Exchange

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As shown in the above table, the subscription price of the Open Offer Comparables represented discounts ranging from approximately 7.41% to approximately 92.90% with an average of approximately 48.20% to the respective closing price of their shares on the last trading days prior to/on the date of the release of the respective open offer announcements. Although we note that the discount of approximately 68.09% to the closing price of the Shares on the Last Trading Day as represented by the Subscription Price is higher than the average discount of the Open Offer Comparables, the discount of approximately 68.09% to the closing price of the Shares on the Last Trading Day as represented by the Subscription Price nevertheless falls within the range. We consider that the Open Offer offers all the Qualifying Shareholders an equal opportunity to subscribe for their pro-rata entitlement of the Open Offer and hence avoid dilution. In view of the above, we are of the view that the discount of approximately 68.09% to the closing price of Shares on the Last Trading Day as represented by the Subscription Price is acceptable.

Furthermore, the subscription prices of the Open Offer Comparables represented discounts ranging from approximately 4.76% to approximate 76.06% with an average of approximately 33.94% to the respective theoretical ex-entitlements price of their shares on the last trading days prior to/on the date of the release of the respective open offer announcements. The discount of approximately 34.78% to the ex-entitlement price as represented by the Subscription Price falls within the range and is slightly above the average discount. In addition, as discussed with the Management, the Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter. Furthermore, as stated in the Letter from the Board, it has been indicated to the Company that the relative deep discount of the Subscription Price to the closing price is necessary to induce the Underwriter to participate in the underwriting of the Underwritten Shares, which is an essential part of the Open Offer. In addition, we have discussed with the Management regarding the current structure of the Open Offer. The Management are of the view that in the event that the Subscription Price is increased and the allotment ratio is lowered, the attractiveness to the Qualifying Shareholders to subscribe for the Offer Shares will likely decrease. Given that a deep discount of the Subscription Price: (i) can provide an incentive for the Qualifying Shareholders to subscribe for the Offer Shares as the Company has funding needs to raise such amount of proceeds to expand the securities brokerage, margin financing businesses and the money-lending business in Hong Kong; and (ii) is in line with the market practice as discussed in the section headed "Comparison with the Open Offer Comparables", we are of the view that the current structure of the Open Offer is fair and reasonable.

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Based on the above and having considered in particular that:

- (i) the Company has funding needs for its expansion of securities brokerage, margin financing businesses and money-lending business in Hong Kong and general working capital as stated in this letter headed “*Reasons for Open Offer and use of proceeds*”;
- (ii) the Subscription Price was arrived at after arm’s length negotiation between the Company and the Underwriter;
- (iii) it is a common market practice that the subscription prices of an open offer is normally set at a discount to the prevailing market prices of the relevant shares in order to enhance the attractiveness of an open offer and to encourage the existing shareholders to participate in the open offer;
- (iv) the discounts represented by the Subscription Price to the closing price of the Shares on the Last Trading Day and the theoretical ex-entitlement price falls within the corresponding discounts range of the Open Offer Comparables;
- (v) the Subscription Price falls below the daily closing price of the Shares during the Review Period;
- (vi) after considering the benefits and drawbacks of other fund raising alternatives, the Open Offer seems to be an appropriate means for the Company to raise funds, in particular as the Open Offer offers all the Qualifying Shareholders an equal opportunity to subscribe for their pro-rata entitlement of the Open Offer and hence avoids dilution; and
- (vii) the entering into the Underwriting Agreement will ensure the Group to raise the required funding under the Open Offer, which could reduce the Company’s risk while at the same time guarantee Company’s funding needs,

we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

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Underwriting commission

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Offer Shares not subscribed for by the Qualifying Shareholders on a fully underwritten basis, subject to the terms and conditions of the Underwriting Agreement with an underwriting commission of 2.0% of the aggregate Subscription Price in respect of the number of Underwritten Shares (the “**Underwriting Commission**”). As confirmed by the Directors, the Underwriting Commission was determined after arm’s length negotiations between the Company and the Underwriter with reference to the market rate, the size of the Open Offer and the current and expected market condition.

Based on the table under the sub-section in this letter headed “*Comparison with the Open Offer Comparables*”, we note that the Underwriting Commission is in line with common market practice and falls within the range of underwriting commissions of 0%-5.0% with an average of approximately 2.13%. We note that the Underwriting Commission is lower than the average of 2.13%. Accordingly, we consider that the Underwriting Commission is on normal commercial terms and is fair and reasonable.

Termination of the Underwriting Agreement

It should be noted that the Open Offer will not proceed if the Underwriter exercises its termination rights under the Underwriting Agreement. Details of the provisions granting the Underwriter such termination rights are included in the Letter from the Board section headed “Termination of the Underwriting Agreement”. After reviewing announcements or circulars of the Open Offer Comparables, we consider such provision are on normal commercial terms and in line with the market practice.

No application for excess Offer Shares

No Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to his/her entitlement. Any Offer Shares not taken up by the Qualifying Shareholders, and the Offer Shares to which the Non-Qualifying Shareholders would otherwise have been entitled under the Open Offer, will not be available for subscription by other Qualifying Shareholders by way of excess application and will be taken up by the Underwriter.

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The Directors hold the view that the Open Offer allows the Qualifying Shareholders to maintain their respective pro-rata shareholding interests in the Company and to participate in the future growth and development of the Group. After arm's length negotiations with the Underwriter, and taking into account that the related administration costs of approximately HK\$100,000 (including but not limited to professional fees for preparing and arranging the excess application and the printing of application forms) would be lowered in the absence of excess application, the Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Qualifying Shareholders. We note that the absence of the excess application arrangement may not be desirable from the point of view of those Qualifying Shareholders who wish to take up additional Offer Shares in excess of their assured entitlements. However, we consider that the aforesaid should be balanced against the fact that: (i) the terms of the Open Offer are structured with an intention to encourage all the Qualifying Shareholders to take up their respective assured allotment of the Offer Shares as the Subscription Price is set at a discount to the prevailing market price of the Shares which provides reasonable incentive to all the Qualifying Shareholders to participate in the Open Offer; (ii) the Qualifying Shareholders have the first right to decide whether to accept the Open Offer; (iii) as stated in the Letter from the Board and according to the Management of the Company, the excess application exercise will incur an additional cost of approximately HK\$100,000 administrative costs of the Open Offer; and (iv) the Open Offer with the absence of excess application arrangement for the Offer Shares is subject to approval by the Independent Shareholder at the SGM. As such, it is reasonable to expect that the majority of the Qualifying Shareholders who are positive about the prospects of the Company will apply for the Offer Shares and the Offer Shares available for excess application will be minimal. The absence of excess application arrangement therefore may not be considered material to the Qualifying Shareholders. In addition, the Board considers that it is important for the Group to minimise the costs which may be incurred during the fund raising exercise. Notwithstanding the excess application arrangement will not be made available to Qualifying Shareholders, the Board considers that with a deeper discount to the Offer Price offered to Qualifying Shareholders, this would encourage them to participate in the Open Offer and in the potential growth of the Company accordingly. In light of the above, the Board considers that the Open Offer in the absence of excess application arrangement is in the interests of the Company and the Shareholders as a whole. Any Offer Shares not taken up by the Qualifying Shareholders will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

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Pursuant to the Underwriting Agreement, the Underwriter have conditionally agreed to subscribe or procure subscription for the Offer Shares which have not been taken up by the Qualifying Shareholders.

After reviewing announcements or circulars of the Open Offer Comparables in relation to the Open Offer, we noted that the above practice: (i) is in line with the market practice (i.e. 22 out of 35 Open Offer Comparables had no excess application for their Open Offer exercises); (ii) is able to lower the related administration costs in the absence of excess applications; and (iii) allows the Qualifying Shareholders to maintain their respective pro-rata shareholding, we are of the view that such arrangement is fair and reasonable to the Company and the Shareholders as a whole.

Taking into account the above principal terms of the Open Offer and the Underwriting Agreement, we consider that the terms of the Open Offer and the Underwriting Agreement are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned.

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POSSIBLE DILUTION EFFECT OF THE OPEN OFFER

The table below depicts the shareholding structures of the Company (for illustrative purpose only): (i) as at the Latest Practicable Date; (ii) immediately after completion of the Open Offer assuming (a) full acceptance by the Qualifying Shareholders; and (b) nil acceptance by the Qualifying Shareholders:

Scenario 1: Assuming no exercise of any outstanding and exercisable Share Option on or before the Record Date

	As at the Latest Practicable Date		Upon completion of the Open Offer			
			Assuming all Offer Shares are subscribed for by the Qualifying Shareholders		Assuming none of the Offer Shares are subscribed for by the Qualifying Shareholders	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Substantial Shareholders						
Mr. Huang Ying Yuan (<i>Note 1</i>)	152,553,540	15.90	610,214,160	15.90	152,553,540	3.97
Director						
Mr. Mak Kwong Yiu (<i>Note 2</i>)	600,000	0.06	2,400,000	0.06	600,000	0.02
Sub-total	153,153,540	15.96	612,614,160	15.96	153,153,540	3.99
Public						
Underwriter and the subscribers procured by the Underwriter (<i>Note 3</i>)	—	—	—	—	2,879,030,172	75.00
Existing public Shareholders	806,523,184	84.04	3,226,092,736	84.04	806,523,184	21.01
Total	959,676,724	100.00%	3,838,706,896	100.00%	3,838,706,896	100.00%

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Scenario 2: Assuming full exercise of all outstanding and exercisable Share Options on or before the Record Date

	As at the Latest Practicable Date		Upon issue of the Share Options on or before Record Date		Upon completion of the Open Offer			
					Assuming all Offer Shares are subscribed for by the Qualifying Shareholders		Assuming none of the Offer Shares are subscribed for by the Qualifying Shareholders	
	<i>Approximate</i> No. of Shares	<i>Approximate</i> %	<i>Approximate</i> No. of Shares	<i>Approximate</i> %	<i>Approximate</i> No. of Shares	<i>Approximate</i> %	<i>Approximate</i> No. of Shares	<i>Approximate</i> %
Substantial Shareholders								
Mr. Huang Ying Yuan (<i>Note 1</i>)	152,553,540	15.90	152,553,540	15.46	610,214,160	15.46	152,553,540	3.86
Director								
Mr. Mak Kwong Yiu (<i>Note 2</i>)	600,000	0.06	600,000	0.06	2,400,000	0.06	600,000	0.02
Sub-total	153,153,540	15.96	153,153,540	15.52	612,614,160	15.52	153,153,540	3.88
Public								
Underwriter and the subscribers procured by the Underwriter (<i>Note 3</i>)	—	—	—	—	—	—	2,960,330,172	75.00
Optionholders	—	—	27,100,000	2.75	108,400,000	2.75	27,100,000	0.69
Existing public Shareholders	806,523,184	84.04	806,523,184	81.73	3,226,092,736	81.73	806,523,184	20.43
Total	959,676,724	100.00	986,776,724	100.00	3,947,106,896	100.00	3,947,106,896	100.00

Notes:

- Mr. Huang Ying Yuan, the Chairman and an executive Director of the Company, is deemed to be interested in a total of 152,553,540 Shares, of which 1,234,000 Shares are held by Mrs. Huang Chen Li Chu and 148,353,540 Shares are held by Intelligence Hong Kong Group Limited. Mrs. Huang Chen Li Chu is the wife of Mr. Huang Ying Yuan and Intelligence Hong Kong Group Limited is controlled by Mr. Huang Ying Yuan and Mrs. Huang Chen Li Chu.
- Mr. Mak Kwong Yiu, an independent non-executive Director of the Company.

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3. This scenario is for illustration purpose only and will never occur. Pursuant to the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscribers to subscribe for any of the Underwritten Shares:
 - (a) the Underwriter shall not subscribe, for its own account, for such number of the Offer Shares which have not been taken up by the Qualifying Shareholders which will result in the shareholding of them and parties acting in concert (within the meaning of the Takeovers Code) with them in the Company holding 10% or more shareholding in the Company immediately after completion of the Open Offer; and
 - (b) Pursuant to the Underwriting Agreement, the Underwriter shall procure that any subscribers procured by them shall be Independent Third Parties and shall not become Substantial Shareholders holding 10% or more shareholding in the Company immediately after completion of the Open Offer.

The Open Offer offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company. For those Qualifying Shareholders who take up their entitlements in full under the Open Offer, their shareholding interests in the Company will remain unchanged after the Open Offer.

For Qualifying Shareholders who do not take up in full their assured entitlements under the Open Offer should note that their shareholdings in the Company will be diluted upon completion of the Open Offer. As shown in the table above, under Scenario 1, assuming that none of the Qualifying Shareholders has subscribed for the Open Offer, the percentage of shareholding of the public Shareholders will be reduced from approximately 84.04% as at the Latest Practicable Date to approximately 21.01%. Under Scenario 2, assuming that none of the Qualifying Shareholders has subscribed for the Open Offer, the percentage of shareholding of the public Shareholders will be reduced from approximately 84.04% as at the Latest Practicable Date to approximately 20.43%. The possible maximum dilution to shareholdings of those Qualifying Shareholders who do not subscribe to the Open Offer is (i) approximately 75.00% assuming none of the Offer Shares are subscribed for the Qualifying Shareholders; and (ii) approximately 75.69% assuming full exercise of all the outstanding and exercisable Share Options and none of the Offer Shares are subscribed for the Qualifying Shareholders.

Notwithstanding the potential dilution to the Independent Shareholders' proportional shareholding interests in the Company as discussed above, having taken into account that:

- (a) the Independent Shareholders are given the opportunity to express their view on the terms of the Open Offer and the Underwriting Agreement through their votes at the SGM;

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- (b) the Qualifying Shareholders have their choice of whether to accept the Open Offer or not;
- (c) the Open Offer offers the Qualifying Shareholders an opportunity to subscribe for their pro-rata Offer Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market prices of the Shares; and
- (d) those Qualifying Shareholders who choose to accept the Open Offer in full can maintain their respective existing shareholding interests in the Company after the Open Offer,

we are of the view that the potential dilution effect on the existing shareholding interest of the Independent Shareholders, which may only result when the Qualifying Shareholders do not subscribe for their pro-rata Offer Shares, is acceptable.

As discussed with the Management and the Underwriter, we note that in the event that there is insufficient public float of the Company within the meaning of the Listing Rules immediately upon completion of the Open Offer solely because of the Underwriter's performance of its obligations pursuant to the Underwriting Agreement, the Underwriter agrees to take appropriate steps as may be reasonably required to maintain the minimum public float for the Shares in compliance with Rule 8.08(1) of the Listing Rules.

POSSIBLE FINANCIAL EFFECTS OF THE OPEN OFFER

Effect on net tangible asset

With reference to the unaudited pro forma statement of consolidated net tangible asset of the Group attributable to the owners of the Company as set out in the Appendix II to the Circular, the unaudited net tangible assets value of the Group attributable to the owners of the Company was approximately HK\$1,220.42 million as at 30 June 2015. After taking into account the net proceeds from the Open Offer, the unaudited pro forma net tangible assets value of the Group attributed to the owners of the Company will be increased to approximately HK\$1,642.70 million assuming no Share Options are exercised on or before the Record Date.

The unaudited pro forma consolidated net tangible assets of the Group per Share as at 30 June 2015 was approximately HK\$1.27 per Share before the Open Offer. Upon completion of the Open Offer, the total number of Shares shall increase to not less than 3,838,706,896 Shares and not more than 3,947,106,896 Shares. The unaudited pro forma net tangible

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assets attributed to the owners of the Company will be approximately HK\$0.43 per Share assuming no Share Options are exercised on or before the Record Date. This represents a decrease of approximately 66.14%. We note that the net tangible assets attributable to the owners of the Company will decrease significantly as a result of the Open Offer. As discussed with the Management, we understand that the significant decrease in net tangible assets attributable to the owners of the Company is mainly due to the difference between the consolidated net tangible assets value of the Group per Share as at 30 June 2015 of approximately HK\$1.27 per Share and the Subscription Price. Having taken into consideration of: (i) the fairness and reasonableness of the Subscription Price as stated in the section of this letter headed “Analysis on the Subscription Price”; and (ii) the Subscription Price is at a discount to the unaudited pro forma net tangible assets attributable to the owners of the Company of approximately HK\$0.43 per Share assuming no Share Options are exercised on or before the Record Date, should the Shareholders take up their entitlement in the Open Offer, we are of the view that the effect of the Open Offer on net tangible assets attributable to the owners of the Company is acceptable.

Effect on working capital and liquidity

The net proceeds from the Open Offer is estimated to be not less than approximately HK\$422.27 million and not more than approximately HK\$434.22 million and the working capital will increase by not less than approximately HK\$422.27 million and not more than approximately HK\$434.22 million, which will improve the Group’s liquidity position.

Based on the foregoing, despite the fact that the net assets attributed to the equity shareholders of the Company will be diminished, the Open Offer will enhance the net asset of the Group and improve the liquidity position of the Group. Hence, we are of the view that the Open Offer is in interest of the Company and the Shareholders as a whole.

RECOMMENDATION

Having taken into consideration of the following principal factors and reasons regarding the Open Offer including:

- (a) the net proceeds of the Open Offer will be used to finance the Group’s investments in Black Marble Securities, BlackMarble Capital and general working capital of the Company;
- (b) the Open Offer would be a preferred method of equity financing as it will allow all the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future growth and development of the Group;

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- (c) the discount of the Subscription Price falls within the range of the discount of the subscription prices of the Open Offer Comparables;
- (d) the major terms and conditions of the Underwriting Agreement is in line with the market practice;
- (e) the dilution effect is not detrimental to the Independent Shareholder's interests in the Company if they choose to subscribe for their full entitlement of the Offer Shares under the Open Offer; and
- (f) the Open Offer will enhance the net asset value of the Group and improve the liquidity position of the Group;

we are of the view that the terms of the Open Offer are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the Open Offer.

Yours faithfully,

For and on behalf of

Opus Capital Limited

Alvin Lai

Koh Kwai Yim

Chief Executive Officer Executive Director

Mr. Alvin Lai is the Chief Executive Officer of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Lai has over 15 years of financial industry, investments, corporate finance and legal experience in Asia and Australia. Mr. Lai is a qualified legal practitioner in New South Wales, Australia. Mr. Alvin Lai has acted as financial adviser and/or independent financial adviser to many companies and transactions involving fundraising and/or mergers and acquisition in Asia.

Ms. Koh Kwai Yim is the Executive Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Koh has over 15 years of corporate finance experience in Asia and has participated in and completed various financial advisory and independent financial advisory transactions.

1. FINANCIAL INFORMATION

The audited consolidated financial statement of the Group for the year ended 31 December 2012, 31 December 2013 and 31 December 2014, including the notes thereto, have been published in the annual reports of the Company (i) for the years ended 31 December 2012 (pages 30 to 37), 31 December 2013 (pages 30 to 37) and 31 December 2014 (pages 28 to 35) respectively. The unaudited consolidated financial statement of the Group for the six months ended 30 June 2015, including the notes thereto, have been published in the interim report of the Company for the six months ended 30 June 2015 (pages 2 to 8) The said annual report and interim report of the Company are published on both the Stock Exchange (www.hkex.com) and the Company's website (www.irasia.com/listco/hk/lerado/index.htm).

2012 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0422/LTN20130422626.pdf>

2013 annual report:

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

2014 annual report:

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

2015 interim report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0925/LTN20150925342.pdf>

2. INDEBTEDNESS STATEMENT**Bank Borrowings and Bank Overdrafts**

At the close of business on 30 September 2015, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this Circular, the Group had aggregate outstanding bank borrowings of approximately HK\$5,859,000 (of which HK\$4,332,000 are secured by a property of the Group and properties provided by a director of a subsidiary who is not a director of the Company). The entire bank borrowings are guaranteed by either personal guarantee provided by a director of a subsidiary who is not a director of the Company or The Government of the Hong Kong Special Administrative Region. The Group had aggregate bank

overdrafts of approximately HK\$4,881,000. The entire amount are secured by a property of the Group and properties provided by a director of a subsidiary who is not a director of the Company and are guaranteed by personal guarantee provided by a director of a subsidiary who is not a director of the Company.

Contingent Liabilities

As at 30 September 2015, 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 ("Disposed Subsidiaries"), are in litigations with two independent third parties. The Company entered into the sale and purchase agreement pursuant to which the Company agreed to indemnify the buyer of the Disposed Subsidiaries against all losses and claims incurred by the Disposed Subsidiaries in connection with the two litigations described below.

- (i) During the year ended 31 December 2013, the Company, a wholly-owned subsidiary and certain Disposed Subsidiaries have been named as defendants in a United States District Court action in respect of an alleged breach of contractual undertakings for an amount of US\$2,222,000 (equivalent to approximately HK\$17,333,000). The trial date has not been set. The Directors, 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 for the related claims in the consolidated financial statements as at 30 September 2015.
- (ii) During the year ended 31 December 2014, the Company, two of its wholly-owned subsidiaries and two of the Disposed Subsidiaries have been named as joint defendants together with, among others, Baby Trend, Inc. in a United States District Court on the alleged faulty design in a car seat manufactured by the Group under the contract for Baby Trend, Inc. A trial date has not been set. The Directors, 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 for the related claims in the consolidated financial statements as at 30 September 2015.

Save as aforesaid or otherwise mentioned herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, the Group did not have any other outstanding borrowings, mortgages, charges, debentures, loan capital, bank overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities at the close of business on 30 September 2015.

Subsequent Changes of Indebtedness

The Directors confirm that there has been no material change in the indebtedness and contingent liabilities of the Group since 30 September 2015 up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that after taking into account the present internal resources, external credit facilities and the proceeds from the Open Offer, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular, in the absence of any unforeseeable circumstances.

4. MATERIAL ADVERSE CHANGE

The Company is not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

Given the Directors, concrete financial knowledge and background and the Group's solid financial position, the Directors are of the view that it is a suitable time for the Company to take an active approach in generating immediate revenue and diversifying the Company's business portfolio in other business sectors including securities trading, money lending business, and other financial and property investment.

The Group will actively participate as placing agent or underwriter for other listed companies in fund raising activities. Black Marble Securities also acts as a broker in dealing securities for existing clients (including professional investors) and targets to enlarge the customer bases. Directors believe commission income could be generated and enhance the Group's overall earnings. The Group will also generate interest income by way of participating in margin financing business and money lending business.

Securities Investment

The Group's held for trading investments amounted to HK\$702.1 million as at 30 June 2015. Details of which are shown as follows:

	The fair value of the held- for-trading investments as at 30 June 2015 on 28 August 2015*	The fair value of the held- for-trading investments as at 30 June 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Convoy Financial Holdings Limited ("CFHL")	12,765	33,810
China Investment and Finance Group Limited ("CIFG")	18,675	41,216
China New Economy Fund Limited ("CNEFL")	1,288	3,036
China Jicheng Holdings Limited ("CJHL")	594,000	624,000
Finsoft Financial Investment Holdings Limited ("FFIHL")	<u>2</u>	<u>18</u>
	<u><u>626,730</u></u>	<u><u>702,080</u></u>

* *The figures are for illustration purpose only. In order to illustrate the fair value change of the held-for-trading investments as at 30 June 2015, the number of shares held in these five investments as at 28 August 2015 are assumed remain unchanged as at 30 June 2015.*

CFHL is principally engaged in independent financial advisory business, money lending business, proprietary investment business, asset management business and corporate finance advisory services. CIFG is principally engaged in securities trading, investment holding and rendering of consultancy service. CNEFL is principally engaged in investing globally in both private and publicly listed enterprises that have demonstrated the ability to manufacture a product or deliver a service that is supported by the economies of mainland China, Hong Kong, Macau and Taiwan. CJHL is principally engaged in the manufacturing and sale of POE umbrellas and nylon umbrellas and umbrella parts such as plastic cloth and shaft to its customers. FFIHL is principally engaged in provision of financial trading software solutions, provision of other internet financial platforms, provision of referral services, money lending business, securities investments and provision of corporate finance advisory services.

The held-for-trading investment has been increased from HK\$5.3 million as at 31 December 2014 to HK\$702.1 million as at 30 June 2015. The Group has recorded a gain on fair value changes of held for trading investments for the six months ended 30 June 2015 of approximately HK\$626.5 million (2014: nil) which was mainly arise from the gain on fair value change of investment in CJHL of approximately HK\$610.8 million.

However, the stock market in Hong Kong became volatile and thus the fair value of the held-for-trading investments as at 30 June 2015 on 28 August 2015 has decreased by 11%. Going forward, the Board consider the performance of the equities may remain susceptible to external market condition. In order to avoid concentration risk and keep reasonable spread of the Group's investments, the Board will maintain a diversified investment portfolio to cover a wide range of business sectors, including, but not limited to, companies engaged in sectors such as consumer services, insurance, banks, properties and construction etc..

Going forward, with a view to achieve better return and enhance the expansion of the Group, the Group will put greater effort to expand the existing business and look for potential investment opportunities that can leverage with the financial sectors. Directors are of the view that the securities brokerage business and provision of other financial services will become one of the main operating segments of the Group in future.

UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Open Offer on the consolidated net tangible assets of the Group as if the Open Offer had been completed on 30 June 2015 and taking into account certain assumptions.

The Unaudited Pro Forma Financial Information of the Group has been prepared for illustration purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group immediately had the Open Offer been completed as at 30 June 2015 or at any future date after completion of the Open Offer.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the consolidated net assets of the Group at 30 June 2015, as extracted from the published interim report of the Group for the six months ended 30 June 2015 and the adjustments described below.

Unaudited consolidated net assets of the Group as at 30 June 2015	Adjustment for intangible assets of the Group as at 30 June 2015	Adjusted unaudited consolidated net tangible assets of the Group as at 30 June 2015	Estimated net proceeds from the Open Offer based on 2,879,030,172 Offer Shares	Adjusted unaudited pro forma consolidated net tangible assets of the Group after the Open Offer based on 2,879,030,172 Offer Shares	Estimated net proceeds from the Open Offer based on 2,960,330,172 Offer Shares	Adjusted unaudited pro forma consolidated net tangible assets of the Group after the Open Offer based on 2,960,330,172 Offer Shares
<i>HK\$ '000</i> <i>(note i)</i>	<i>HK\$ '000</i> <i>(note ii)</i>	<i>HK\$ '000</i> <i>(A)</i>	<i>HK\$ '000</i> <i>(note iii)</i> <i>(B)</i>	<i>HK\$ '000</i> <i>(A)+(B)</i>	<i>HK\$ '000</i> <i>(note iv)</i> <i>(C)</i>	<i>HK\$ '000</i> <i>(A)+(C)</i>
1,261,741	41,318	1,220,423	422,272	1,642,695	434,222	1,654,645
Adjusted unaudited consolidated net tangible assets of the Group as at 30 June 2015 before Open Offer per Share <i>(Note v)</i>						HK\$1.27
Adjusted unaudited pro forma consolidated net tangible assets of the Group as at 30 June 2015 immediately after the Open Offer per Share based on the aggregate of 959,676,724 Shares in issue as at 30 June 2015 and 2,879,030,172 Offer Shares <i>(Note vi)</i>						HK\$0.43
Adjusted unaudited pro forma consolidated net tangible assets of the Group as at 30 June 2015 immediately after the Open Offer per Share based on the aggregate of 959,676,724 Shares in issue as at 30 June 2015 and 2,960,330,172 Offer Shares <i>(Note vii)</i>						HK\$0.42

Notes:

- i. The unaudited consolidated net assets of the Group as at 30 June 2015 is extracted from the published interim report for the six months ended 30 June 2015.
- ii. The intangible assets represent the Group's goodwill arose from past acquisition of subsidiaries of approximately HK\$41,318,000 which are extracted from the published interim report for the six months ended 30 June 2015, of which 100% of the goodwill were attributable to owners of the Company.
- iii. The estimated net proceeds from the Open Offer are based on 2,879,030,172 Offer Shares being issued (based on 959,676,724 Shares in issue as at 30 June 2015 and on the basis of 3 Offer Shares for every 1 Share held) at a subscription price of HK\$0.15 per Offer Share, after deduction of the estimated expenses attributable to the Open Offer of approximately HK\$9,583,000 and the differences attributable to rounding.
- iv. The estimated net proceeds from the Open Offer are based on 2,960,330,172 Offer Shares being issued (based on the aggregate of 959,676,724 Shares in issue as at 30 June 2015 and 27,100,000 Shares assuming full exercise of all the outstanding and exercisable Share Options of 27,100,000 Shares, multiplied by 3 on the basis of 3 Offer Shares for every 1 Share held) at a subscription price of HK\$0.15 per Offer Share, after deduction of the estimated expenses attributable to the Open Offer of approximately HK\$9,828,000 and the differences attributable to rounding.

The net proceeds from full exercise of all the outstanding and exercisable Share Options of 27,100,000 Shares has not been reflected in the net proceeds from the Open Offer, as set out in the above table.

- v. The calculation of the adjusted unaudited consolidated net tangible assets of the Group as at 30 June 2015 before the Open Offer per Share is determined based on the adjusted unaudited consolidated net tangible assets of the Group as at 30 June 2015 of approximately HK\$1,220,423,000, divided by the number of Shares in issue as at 30 June 2015, i.e. 959,676,724 Shares.
- vi. The calculation of the adjusted unaudited pro forma consolidated net tangible assets of the Group as at 30 June 2015 immediately after the Open Offer per Share is determined based on adjusted unaudited pro forma consolidated net tangible assets of the Group after the Open Offer of approximately HK\$1,642,695,000, being the aggregate of HK\$1,220,423,000 and HK\$422,272,000 (see Note (iii)), divided by 3,838,706,896 Shares which represents the sum of 959,676,724 Shares in issue as at 30 June 2015 and 2,879,030,172 Offer Shares (See Note (iii)).
- vii. The calculation of the adjusted unaudited pro forma consolidated net tangible assets of the Group as at 30 June 2015 immediately after the Open Offer per Share is determined based on adjusted unaudited pro forma consolidated net tangible assets of the Group after the Open Offer of approximately HK\$1,654,645,000, being the aggregate of HK\$1,220,423,000 and HK\$434,222,000 (see Note (iv)), divided by 3,920,006,896 Shares which represents the sum of 959,676,724 Shares in issue as at 30 June 2015, and 2,960,330,172 Offer Shares (See Note (iv)).

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF LERADO GROUP (HOLDING) COMPANY LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Lerado Group (Holding) Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2015 and related notes as set out on pages II-1 to II-2 of the circular issued by the Company dated 26 October 2015 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed open offer of not less than 2,879,030,172 offer shares and not more than 2,960,330,172 offer shares of par value of HK\$0.10 each at the subscription price of HK\$0.15 per offer share (the "Open Offer") on the basis of three offer shares for every one existing share held on the Record Date (as defined in the Circular) on the Group's consolidated net tangible assets as at 30 June 2015 as if the Open Offer had taken place at 30 June 2015. As part of this process, information about the Group's consolidated net tangible assets has been extracted by the Directors from the Group's unaudited consolidated financial statements for the six months ended 30 June 2015, on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial

information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2015 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong,

26 October 2015

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Group. 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.

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date and following the increase of authorised share capital of the Company; (ii) immediately upon completion of the Open Offer (assuming no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date); and (iii) are as follows:

(i) As at the Latest Practicable Date and following the increase of authorised share capital of the Company

Authorised share capital:

<u>1,000,000,000</u>	Shares	<i>HK\$</i> <u>100,000,000</u>
<u>9,000,000,000</u>	new Shares upon completion of the increase in authorised share capital of the Company	<u>900,000,000</u>
10,000,000,000	Total Shares	1,000,000,000

- (ii) **Immediately upon completion of the Open Offer (assuming no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date):**

Authorised share capital:

	<i>HK\$</i>
<u>1,000,000,000</u> Shares	<u>100,000,000</u>
new Shares upon completion of the increase in authorised share capital of the Company	<u>900,000,000</u>
10,000,000,000 Total Shares	1,000,000,000

Issued and fully paid share capital or credited as fully paid:

	<i>HK\$</i>
959,676,724 Shares in issue as at the Latest Practicable Date	95,967,672.4
<u>2,879,030,172</u> Offer Shares to be issued	<u>287,903,017.2</u>
Shares in issue and fully paid immediately upon completion of the Open Offer (assuming no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date)	<u>383,870,689.6</u>
<u>3,838,706,896</u>	

- (iii) **Immediately upon completion of the Open Offer (assuming full exercise of all the outstanding and exercisable Share Options and no other issue of any Shares on or before the Record Date):**

Authorised share capital:

	<i>HK\$</i>
<u>1,000,000,000</u> Shares	<u>100,000,000</u>
<u>9,000,000,000</u> new Shares upon completion of the increase in authorised share capital of the Company	<u>900,000,000</u>
<u>10,000,000,000</u> Total Shares	<u>1,000,000,000</u>

Issued and fully paid share capital or credited as fully paid:

	<i>HK\$</i>
959,676,724 Shares in issue as at the Latest Practicable Date	95,967,672.4
27,100,000 Option Shares to be issued	2,710,000
<u>2,960,330,172</u> Offer Shares to be issued	<u>296,033,017.2</u>
<u>3,947,106,896</u> Shares in issue and fully paid immediately upon completion of the Open Offer (assuming full exercise of all the outstanding and exercisable Share Options and no other issue of any Shares on or before the Record Date)	<u>394,710,689.6</u>

Save for the Share Options, as at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

No capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

All Shares in issue rank *pari passu* in all respects with each other including, in particular, as to rights to dividends, voting rights and return of capital.

The issued Shares are listed and traded on the Stock Exchange. None of the securities of the Company is listed, or dealt in, on any other exchange, nor is any listing of or permission to deal in the securities of the Company being, or proposed to be, sought on any other stock exchange.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS

i. Directors

(a) Directors' interests in the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executives had interests and short positions in the Shares, the underlying Shares and/or the debentures (as the case may be) of the Company or any its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules:

Long positions in the Shares and underlying Shares of the Company and its associated corporations.

Name of Director	Number of shares held as			Total interests	Percentage of issued share capital of the Company as at the Latest Practicable Date (%)
	Beneficial owner	Spouse interest	Corporate interest		
Mr. Huang Ying Yuan	2,966,000	1,234,000 <i>(Note 1)</i>	148,353,540 <i>(Note 2)</i>	152,553,540	15.90
Mr. Mak Kwong Yiu	600,000	—	—	600,000	0.05

Notes:

- The spouse interest represents the shares held by Mrs. Huang Chen Li Chu, the spouse of Mr. Huang Ying Yuan.
- The corporate interest represents the shares held by Intelligence Hong Kong Group Limited, which is controlled by Mr. Huang Ying Yuan and Mrs. Huang Chen Li Chu.

(b) *Directors' interests in service contracts*

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

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

(c) *Directors' interests in assets*

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have been since 31 December 2014, being the date to which the latest published audited financial statements of the Group were made up, acquired by or disposed of or leased to any member of the Group or are proposed to be acquired by or disposed of or leased to any member of the Group.

(d) *Directors' interests in contracts or arrangements*

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into with any member of the Group which contract or arrangement is subsisting and which is significant in relation to the business of the Group.

(e) *Directors' interests in competing businesses*

As at the Latest Practicable Date, none of the Directors and their respective close associates have any interest in any businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses to which the Directors and their close associates were appointed to represent the interests of the Company and/or the Group.

ii. Substantial Shareholders

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

Name of Shareholder	Capacity	Number of Shares held	Percentage of issued share capital of the Company as at the Latest Practicable Date (%)
Gransing Securities (<i>Note 1</i>)	Beneficial owner	2,879,030,172	75.00
Oei Hong Eng (<i>Note 1</i>)	Interest of a controlled corporation	2,879,030,172	75.00
Que Bon Tan Gerald (<i>Note 1</i>)	Interest of a controlled corporation	2,879,030,172	75.00
Mr. David Michael Webb (<i>Note 2</i>)	Beneficial owner	76,938,000	8.02
Preferable Situation Assets Limited (<i>Note 3</i>)	Beneficial owner	50,750,000	5.29

Notes:

- The Shares are the Offer Shares which Gransing Securities is interested under the Underwriting Agreement on the assumption of no acceptance by the Qualifying Shareholders under the Open Offer. These Shares are registered in the name of and beneficially owned by Gransing Securities, 50% and 50% of the issued share capital of Gransing Securities is owned by Oei Hong Eng and Que Bon Tan Gerald respectively. Under the SFO, each of Oei Hong Eng and Que Bon Tan Gerald is deemed to be interested in all the Shares held by Gransing Securities.
- Mr. David Michael Webb beneficially owns 26,188,000 shares, and in addition he holds 50,750,000 shares through Preferable Situation Assets Limited, which is 100% directly owned by him.
- Preferable Situation Assets Limited is 100% owned by Mr. David Michael Webb.

Other than disclosed herein, as at the Latest Practicable Date, so far as was known to the Directors or chief executives of the Company, the Company had not been notified of any other interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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

4. CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Huang Ying Yuan

(Chairman and Chief Executive Officer)

Mr. Huang Shen Kai

Mr. Chen Chun Chieh

Mr. Lai Kin Chung, Kenneth

Independent Non-Executive Directors

Mr. Mak Kwong Yiu

Mr. Ye Jianxin

Mr. Chern Shyh Feng

Audit Committee

Mr. Mak Kwong Yiu *(Chairman)*

Mr. Ye Jianxin

Mr. Chern Shyh Feng

Remuneration Committee

Mr. Mak Kwong Yiu *(Chairman)*

Mr. Ye Jianxin

Mr. Chern Shyh Feng

Mr. Lai King Chung, Kenneth

Mr. Huang Ying Yuan

*Nomination Committee*Mr. Huang Ying Yuan (*Chairman*)

Mr. Chen Chun Chieh

Mr. Mak Kwong Yiu

Mr. Ye Jianxin

Mr. Chern Shyh Feng

Registered office

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Principal place of business

Unit 1-3 30/F Universal Trade Centre

3-5A Arbuthnot Road

Central

Hong Kong

Company Secretary

Mr. Chan Kam Fuk

Authorised representatives

Mr. Chen Chun Chieh

Unit 1-3 30/F Universal Trade Centre

3-5A Arbuthnot Road

Central

Hong Kong

Mr. Chan Kam Fuk

Room 2105 21/F Office Tower

Langham Place 8 Argyle Street

Mongkok Kowloon

Hong Kong

Hong Kong branch share registrar

Tricor Secretaries Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

Auditors

Deloitte Touche Tohmatsu

35/F One Pacific Place

88 Queensway

Hong Kong

Principal Bankers	Chinatrust Commercial Bank, Ltd 28/F., two International Finance Centre 8 Finance Street Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited Level 6, HSBC Main Building 1 Queen's Road Central Hong Kong
Stock code	1225
Website	www.irasia.com/listco/hk/lerado/index.htm

5. PARTIES INVOLVED IN THE OPEN OFFER

The Company	Lerado Group (Holding) Company Limited Unit 1-3 30/F Universal Trade Centre 3-5A Arbuthnot Road Central Hong Kong
Underwriter	Gransing Securities Co., Limited
Financial adviser of the Company	Octal Capital Limited 801-805, 8th Floor, Nan Fung Tower 88 Connaught Road Central Hong Kong
Legal advisers to the Company as to Hong Kong laws	Messers. Hua, Lau, Li & Yeung Unit 1303, 13th Floor Tower 1, Admiralty Centre 18 Harcourt Road Hong Kong

Reporting Accountants	Deloitte Touche Tohmatsu 35/F One Pacific Place 88 Queensway Hong Kong
Independent financial adviser to the Independent Board Committee and the Independent Shareholders	Opus Capital Limited 18/F, Fung House 19-20 Connaught Road Central, Central, Hong Kong
Hong Kong branch share registrars and transfer office	Tricor Secretaries Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong

6. LITIGATION

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

During the year ended 31 December 2014, the Company, two of its wholly-owned subsidiaries and two of the disposed Subsidiaries have been named as joint defendants together with, among others, Baby Trend, Inc. in a United States District Court on the alleged faulty design in a car seat manufactured by the Company under the contract for Baby Trend, Inc. A trial date has not been set. The directors of the Company, after considering that this litigation is in its early stage and the outcome of the proceedings is uncertain, are of the opinion that no provision for any potential liability should be made in these condensed financial statements.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group.

7. MATERIAL CONTRACTS

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

- (i) the Underwriting Agreement dated 14 August 2015 entered into among the Company and the Underwriter in relation to the underwriting arrangement in respect of the Open Offer; and
- (ii) the agreement dated 16 June 2014 entered into among the Company, a wholly-owned subsidiary of Company, being the seller, and the buyers, being the Independents Third Parties, in relation to the disposal of subsidiaries of the Company.

8. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY**Executive Directors**

Mr. HUANG Ying Yuan, aged 64, is a founding member and the chairman of the Group. Mr. Huang has 38 years of experience in the infant products industry. Mr. Huang oversees the Group's strategic planning and has particular responsibility for marketing. Mr. Huang is the father of Mr. Huang Shen Kai, an executive director of the Company. Saved as disclosed herein, Mr. Huang does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company.

Mr. HUANG Shen Kai, aged 38, joined the Group since March 2005 and has been working as the Group Vice President for the manufacturing business of the Group. Mr. Huang is responsible for the Group's management and business development in the PRC market. Mr. Huang holds a Bachelor's Degree of Business Administration from the Rochester University of Institute and a Master's Degree of Business Administration from the American University. Mr. Huang is the son of Mr. Huang Ying Yuan, chairman and chief executive officer of the Company.

Mr. CHEN Chun Chieh, aged 39, was appointed an Executive Director of the Company on 3 April 2008. Mr. Chen has been working for the Group since 2002. He obtained a master's degree in business administration from Lawrence Technical University, U.S.A. Mr. Chen is responsible for the strategic planning and finance of the Group.

Mr. LAI Kin Chung, Kenneth, aged 45, has over 20 years of solid investment background specializing in property investment, social service, and technology sectors in Taiwan and the PRC. Mr. Lai graduated from Curtin University of Technology with a Bachelor of Commerce (Marketing & Management) in Australia. He initially worked as a floor trader with Bank of China Group Securities Limited and worked for various investment banks as a dealer including Lippo Securities Holdings Limited, Dresdner Bank and Charles Schwab Hong Kong Securities Limited from 1994 to 2002 and acted as Head of Dealing and Sales Trading at SBI E2 — Capital Asia Securities Limited during 2003-2006. He continued his career in sales desks from 2006 to 2013 working for DBS Vickers (Hong Kong) Ltd., CCB International Securities Ltd., Agricultural Bank of China and Core Pacific-Yaimaichi International (HK) Ltd. From September 2013 to August 2014, he worked in a fund management company specialized in portfolio management and risk management. In addition, Mr. Lai has all-rounded experiences in securities advisory, corporate finance, corporate management and fund management. Mr. Lai has not held any other directorship in any listed public companies in the last three years. As at the Latest Practicable Date, Mr. Lai did not have any interest in the shares of the Company within the meaning of Part XV of the SFO and has no relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

Independent Non-Executive Directors

Mr. MAK Kwong Yiu, aged 40, graduated from The Hong Kong University of Science and Technology with a Bachelor of Business Administration degree in Finance in November 1996 and a Master of Business Administration degree in November 2004. He earned the Chartered Financial Analyst designation in September 2000. He has been a Certified Public Accountant in the United States since May 2002 and a member of the HKICPA since May 2003. Mr. Mak is currently an executive director of Convoy Financial Services Holdings Limited, whose shares are listed on the Main Board of the Stock Exchanged and an independent non-executive director of GR Properties Limited (formerly known as Buildmore International Limited), whose shares are listed on the Main Board of the Stock Exchange.

Mr. YE Jianxin, aged 62, has over 3 decades of experience acting as department head and general manager in different companies engaging in sales and marketing. He has extensive experience in managing large enterprises especially in the area of sales and marketing. Mr. Ye graduated from high school in China.

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

9. MISCELLANEOUS

- (a) The Company secretary of the Company is Mr. Chan Kam Fuk. Mr. Chan is a certified public accountant of the Hong Kong Institute of Certified Public Accountant and the Australian Society of Certified Practicing Accountants.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the Company's principal place of business in Hong Kong is located at Units 1-3, 30/F, Universal Trade Centre, 3-5A, Arbuthnot Road, Central, Hong Kong.
- (c) The branch share registrar of the Company in Hong Kong is Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) 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.
- (e) In case of any inconsistency, the English text of this circular shall prevail over its Chinese text.

10. EXPERT AND CONSENT

- (a) The following sets out the qualifications of the experts who have given their opinions or advice as contained in this circular:

Name	Qualifications
Opus Capital	a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu ("DTT")	Certified Public Accountants

- (b) Each of Opus Capital and DTT has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, statement or advice and references to its name in the form and context in which they are included.
- (c) As at the Latest Practicable Date, each of Opus Capital and DTT did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (d) As at the Latest Practicable Date, each of Opus Capital and DTT did not have any interest, direct or indirect, in any asset which have been since 31 December 2014, being the date to which the latest published audited financial statements of the Group were made up, acquired by or disposed of or leased to any member of the Group or are proposed to be acquired by or disposed of or leased to any member of the Group.

11. EXPENSES

The expenses in connection with the Open Offer, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges, registration and other related expenses, are estimated to amount to approximately HK\$9.46 million and are payable by the Company.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during 9:00 a.m. to 5:00 p.m. on any week day, except Saturdays, Sundays and public holidays at the principal place of business in Hong Kong of the Company at Units 1-3, 30/F, Universal Trade Centre, 3-5A, Arbutnot Road, Central, Hong Kong during normal business hours from the Latest Practicable Date up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the material contracts referred to the paragraph headed “Material Contracts” to this appendix;
- (c) the annual reports of the Company for the three financial years ended 31 December 2014;
- (d) the letter from the Board, the text of which is set out on pages 11 to 39 of this circular;
- (e) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 40 to 41 of this circular;
- (f) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 42 to 77 of this circular;
- (g) the service contract(s) or appointment letter(s) (as the case may be) entered into between the Company with the Directors referred to in paragraph headed “Director’s interest in service contracts or arrangements” in this appendix;
- (h) the letter from DTT on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (i) the letters of written consents referred to in the paragraph headed “Expert and Consent” in this appendix; and
- (j) this circular.

NOTICE OF SGM



LERADO GROUP (HOLDING) COMPANY LIMITED

(隆成集團(控股)有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock code: 1225)

NOTICE IS HEREBY GIVEN that the special general meeting (the “SGM”) of Lerado Group (Holding) Company Limited (the “Company”) will be held at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong on Tuesday, 10 November 2015 at 2:30 p.m. for the purpose of considering and, if thought fit, passing with or without amendments the following resolutions which will be proposed as ordinary resolutions of the Company (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 26 October 2015 (the “Circular”)):

AS ORDINARY RESOLUTIONS

1. “**THAT**

- (i) the authorised share capital of the Company be increased from HK\$100,000,000 (divided into 1,000,000,000 ordinary shares of nominal value of HK\$0.1 each (“Shares”)) to HK\$1,000,000,000 (divided into 10,000,000,000 Shares) by the creation of 9,000,000,000 additional Shares, and that each such new Share, upon issue, shall rank *pari passu* in all respects with the existing issued Shares and have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association and bye-laws of the Company (“**Increase in the Authorised Share Capital**”); and
- (ii) any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute and deliver all such documents, including under the seal of the Company, where applicable, as he/she/they may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of the Increase in the Authorised Share Capital.”

NOTICE OF SGM

2. “**THAT** subject to and conditional upon (i) The Stock Exchange of Hong Kong Limited granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, all the Offer Shares (as defined below) by no later than the Prospectus Posting Date (as defined in the circular of the Company dated 26 October 2015 (“**Circular**”)); (ii) the filing and registration of all relevant documents with the Registrar of Companies in Hong Kong by no later than the Prospectus Posting Date (as defined in the Circular); and (iii) the Underwriting Agreement (as defined below) not being terminated by the Underwriter (as defined in the Circular) pursuant to the terms thereof on or before the Latest Time for Termination (as defined in the Circular):
- (a) the allotment and issue of not less than 2,879,030,172 Shares and not more than 2,960,330,172 Shares (“**Offer Shares**”) by way of open offer (“**Open Offer**”) at a subscription price of HK\$0.15 per Offer Share on the basis of three (3) Offer Shares for every one (1) existing Share to the holders of the Shares (“**Qualifying Shareholders**”) whose names appear on the register of members of the Company on Tuesday, 24 November 2015 (or such other date as the Underwriter (as defined below) (“**Record Date**”) may agree with the Company) other than those Shareholders of the Company whose names appear on the register of members of the Company at the close of business on the Record Date and whose addresses as shown on such register are outside Hong Kong whom the directors of the Company, based on legal advice provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Offer Shares to such shareholders on account either of legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory body or stock exchange in those places (“**Non-Qualifying Shareholders**”) as described in further detail in the Circular and on and subject to such terms and conditions as may be determined by the directors of the Company and otherwise pursuant to and subject to the fulfilment of the conditions set out in the underwriting agreement (“**Underwriting Agreement**”) (a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification) dated 14 August 2015 and made between the Company and Gransing Securities Co., Limited (“**Underwriter**”), and the transactions contemplated thereunder, be and are hereby approved;
- (b) the board of directors of the Company (“**Board**”) or a committee thereof be and is/are hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer notwithstanding that the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Board may make such exclusions or other arrangement in relation to the Non-Qualifying Shareholders as it may deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirement of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong;

NOTICE OF SGM

- (c) the entering into the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified in all respects and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Offer Shares, if any, by the Underwriter) be and are hereby approved, confirmed and ratified; and
- (d) any one or more of the directors of the Company be and is/are hereby authorised to sign and execute and deliver any such documents and do all such acts and things incidental to the Open Offer as he/she/they may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder or in this resolution.”

By the order of the Board
Lerado Group (Holding) Company Limited
Huang Ying Yuan
Chairman

Hong Kong, 26 October 2015

NOTICE OF SGM

Notes:

- (1) Any Shareholder of the Company entitled to attend and vote at the SGM (or any adjournment thereof) is entitled to appoint one or more proxies to attend and vote in his or her stead. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him/her behalf. A proxy need not be a member of the Company.
- (2) In order to be valid, the form of proxy completed in accordance with the instructions set out therein, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy of that power or authority) 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 holding the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.
- (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 appoint 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 was 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.
- (8) As at the date hereof, the executive directors of the Company are Mr. HUANG Ying Yuan, Mr. HUANG Shen Kai, Mr. CHEN Chun Chieh and Mr. LAI Kin Chung, Kenneth; and the independent non-executive directors of the Company are Mr. MAK Kwong Yiu, Mr. YE Jianxin and Mr. CHERN Shyh Feng.