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## **Lerado Financial Group Company Limited**

### **隆成金融集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1225)**

## **UPDATE ANNOUNCEMENT**

Reference is made to the announcements of Lerado Financial Group Company Limited (the “**Company**”, which together with its subsidiaries, the “**Group**”) dated 5 June 2017, 6 June 2017 and 7 June 2017 in relation to, among other matters, the letter dated 5 June 2017 issued by the Securities and Futures Commission of Hong Kong (the “**SFC Letter**”) to the Company and the suspension of trading in shares of the Company, as well as the announcements of the Company dated 7 June 2017, 9 August 2017, 20 July 2018, 31 July 2018, 31 November 2018 and 31 January 2019.

### **REPORT OF INTERNAL INVESTIGATION**

#### **A. Background**

As set out in the announcement of the Company dated 20 July 2018, a new independent committee of the board of directors of the Company was established, and new legal advisers and re-engagement of HLB Hodgson Impey Cheng Limited (“**HLB**”) had been made to conduct an independent investigation (the “**Independent Investigation**”) into the matters and issues raised in the SFC Letter.

On 1 March 2019, HLB issued a report on the Independent Investigation. This announcement sets out, among other things, the principal observations from HLB.

## B. Summary of investigation report

### 1. Major Issues

Based upon the facts and issues raised in the SFC Letter, it was suggested that:

- (i) one of the Company's ex-executive directors ("**Ex-Executive Director A**") might well have been related to/controlled the Company's three corporate shareholders (the "**Three Companies**") through Ex-Executive Director A's personal assistant (the "**PA**"). Ex-Executive Director A might also well have benefited from the highly dilutive effect of the Company's shareholding through the Three Companies participation in the Company's open offer conducted in 2015 (the "**2015 Open Offer**") and rights issue conducted in 2016 (the "**2016 Rights Issue**"). It appears that they might have been associated in some way at the material times; and
- (ii) there were unusual circumstances surrounding the 2015 Open Offer and 2016 Rights Issue between the Company's shareholders, including but not limited to the Three Companies, Ex-Executive Director A and another ex-executive director of the Company ("**Ex-Executive Director B**").

In addressing the above concerns, the Independent Investigation was conducted to ascertain the relationship, if any, between Ex-Executive Director A, Ex-Executive Director B and the Three Companies. This included, but not limited to, the issue of s329 notice under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) requiring disclosure of interests in shares of the Company at the material times, interviews with the involved parties, review of the relevant documents and background search.

During the Independent Investigation, no evidence is noted showing Ex-Executive Director A has been associated with the Three Companies in any form or substance. However, it appears that Ex-Executive Director A had not fully disclosed all information known to him, in particular, whether he had any relationship with the Three Companies. During the Independent Investigation, no evidence is noted, save for their respective former relationship with the Company, the PA still continued to work for/with, under the instructions or at the direction of Ex-Executive Director A, after PA left the Company. Separately, Ex-Executive Director B has not disclosed documentation in the course of the investigation, and his explanation to the relevant concerns as raised by SFC does not appear plausible.

Despite the Independent Investigation, SFC's concerns could not be excluded as being wholly unwarranted. On the contrary, such concerns appear legitimate. It is particularly noticeable that notwithstanding the various explanations put forward by, inter alia, Ex-Executive Director A, Ex-Executive Director B, the PA and the Three Companies during their respective interviews, it is noticeable that virtually no contemporaneous documents have been produced to substantiate their explanations.

## **2. Other Major Findings**

The SFC letter also suggested that the board of directors of the Company (the “**Board**”) might well have conducted highly dilutive fund raisings in a manner that is oppressive or unfairly prejudicial to its minority shareholders. It also noted that various suspicious loans were made by the Company to the Three Companies.

In addressing the above concerns, the Independent Investigation was conducted and the following are noted:

- (i) all of the fundraising activities of the Company seem to have a genuine commercial rationale. The resolutions were all passed by the board of directors of the Company according to the constitutional document of the Company with proper documentation;
- (ii) although the fundraising activities have had dilutive impact on the shareholding, nothing seems to suggest that these activities were made out of the ordinary and the Company’s shareholders seemed to have had the opportunity to participate via their pre-emptive rights;
- (iii) there is no evidence to show that the loan offered by the Company to the Three Companies were approved or paid contrary to the Company’s operational manual and the funds for the loans were unrelated to the funds raised in the 2015 Open Offer; and
- (iv) all of the loans given by the Company to the Three Companies appear to be in the then prevailing market interest rates and on usual commercial terms; and all of the loans given by the Three Companies are noted to have been repaid with the agreed interest rates.

### **C. The board’s views on the investigation report**

The Board accepted the relevant observations as reported by HLB. In this respect, the Company has done the following:–

- (i) engaged HLB as independent consultant to conduct a review of the Company’s internal controls with respect to its money lending business; and
- (ii) the Company is currently seeking counsel’s views on possible actions made available for addressing the concerns raised by SFC, in view of HLB’s observations in the Independent Investigation.

The Board also wish to take this opportunity to point out that the board of directors of the Company has been replaced by almost completely new management (the “**New Board**”) which majority was composited with new directors that did not participate in 2015 Open Offer, 2016 Rights Issue and the rights issue conducted in 2017. The New Board is keen to bolster the corporate governance and internal controls of the Company and does not have any intention to act in a manner that is oppressive or unfairly prejudicial to its minority shareholders.

Thereafter, the Company would approach the relevant market regulators endeavouring to seek resumption of trading in shares of the Company as soon as practicable.

#### **CONTINUED SUSPENSION OF TRADING**

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 6 June 2017 and will remain suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board  
**Lerado Financial Group Company Limited**  
**Ho Kuan Lai**  
*Executive Director*

Hong Kong, 12 March 2019

*As at the date of this announcement, the executive Directors are Mr. CHEN Chun Chieh, Ms. HO Kuan Lai and Mr. LEUNG Kam Por Ken; and the independent non-executive Directors are Mr. YU Tat Chi Michael, Mr. YANG Haihui and Mr. LAM Williamson.*