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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)

### UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the “Board”) of directors (the “Directors”) of Lerado Financial Group Company Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018 as follows:

For the reasons explained in the paragraph headed “Review of Unaudited Annual Results” in this announcement, the auditing process for the annual results of the Group for the year ended 31 December 2019 has not been completed.

#### UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2019*

		<b>2019</b>	2018
	<i>NOTES</i>	<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Audited)
Revenue		<b>247,592</b>	246,313
Gross proceeds from sale of financial asset at fair value through profit or loss (“FVTPL”)		<b>10,239</b>	16,424
		<b>257,831</b>	262,737
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Revenue	3		
– Goods and service		<b>97,717</b>	97,265
– Interest		<b>149,875</b>	149,048
		<b>247,592</b>	246,313
Total revenue		<b>247,592</b>	246,313
Cost of inventories and services		<b>(78,918)</b>	(79,017)
		<b>168,674</b>	167,296
Other income		<b>9,869</b>	9,025
Other gains and losses	4	<b>(40,781)</b>	(33,029)
Impairment loss, net of reversal		<b>(93,940)</b>	(37,693)
Marketing and distribution costs		<b>(12,553)</b>	(9,508)
Research and development expenses		–	(49)
Administrative expenses		<b>(62,303)</b>	(96,130)
Share of profit of an associate		–	167
Finance costs		<b>(64,337)</b>	(64,230)

	<i>NOTES</i>	<b>2019</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> <b>(Audited)</b>
Loss before taxation		<b>(95,371)</b>	(64,151)
Income tax credit (expense)	5	<b>9,153</b>	(3,509)
Loss for the year	6	<b>(86,218)</b>	(67,660)
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Gain on revaluation of land and buildings		<b>3,681</b>	1,540
Recognition of deferred tax liability arising on revaluation of land and buildings		<b>(920)</b>	(385)
		<b>2,761</b>	1,155
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences arising from translation		<b>(2,887)</b>	(3,964)
Other comprehensive expense for the year		<b>(126)</b>	(2,809)
Total comprehensive expense for the year		<b>(86,344)</b>	(70,469)
Loss for the year attributable to:			
Owners of the Company		<b>(86,170)</b>	(68,090)
Non-controlling interests		<b>(48)</b>	430
		<b>(86,218)</b>	(67,660)
Total comprehensive expense attributable to:			
Owners of the Company		<b>(86,296)</b>	(70,899)
Non-controlling interests		<b>(48)</b>	430
		<b>(86,344)</b>	(70,469)
<b>Loss per share</b>	<b>8</b>		
– Basic		<b>(HK3.74 cents)</b>	(HK2.96 cents)
– Diluted		<b>(HK3.74 cents)</b>	(HK2.96 cents)

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	<i>NOTES</i>	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		32,381	33,184
Right-of-use assets		23,471	–
Prepaid lease payments		–	12,919
Investment properties		56,700	54,900
Goodwill		1,900	35,315
Investment in an associate		167	167
Equity instruments at FVTPL	10	10,451	9,644
Deposits paid for acquisition of subsidiaries		6,700	6,700
Deposits paid for forming of an associate		9,726	10,028
Statutory deposits placed with clearing house		205	205
Deferred tax assets		16,017	7,401
Finance lease receivables		–	1,676
		157,718	172,139
Current assets			
Inventories		13,721	14,851
Trade and other receivables and prepayments	9	216,427	287,415
Finance lease receivables	9	6,016	10,208
Loans receivables	9	1,298,944	1,305,980
Tax recoverable		–	1,276
Prepaid lease payments		–	400
Financial asset at FVTPL	10	44,166	46,559
Bank balances (trust and segregated accounts)		56,968	38,550
Bank balances (general accounts) and cash		275,372	319,361
		1,911,614	2,024,600
Current liabilities			
Trade and other payables and accruals	11	115,431	142,231
Lease liabilities		5,184	–
Obligation under finance lease		–	278
Taxation payable		18,660	20,862
Borrowings		36,001	28,418
		175,276	191,789
Net current assets		1,736,338	1,832,811
		1,894,056	2,004,950

	<b>2019</b>	2018
<i>NOTES</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Capital and reserves		
Share capital	<b>690,968</b>	690,968
Reserves	<b>416,633</b>	502,929
	<hr/>	<hr/>
	<b>1,107,601</b>	1,193,897
Non-controlling interests	<b>582</b>	630
	<hr/>	<hr/>
Total equity	<b>1,108,183</b>	1,194,527
	<hr/>	<hr/>
Non-current liabilities		
Bonds	<b>767,677</b>	798,902
Deferred tax liabilities	<b>12,547</b>	11,521
Lease liabilities	<b>5,649</b>	–
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	<b>785,873</b>	810,423
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	<b>1,894,056</b>	2,004,950
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability. The addresses of the registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and principal place of business of the Company is at 22/F, The Wellington, 198 Wellington Street, Central, Hong Kong. The Company acts as an investment holding company. Trading in the shares of the Company on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has been suspended at the direction of the Securities and Futures Commission since 6 June 2017. As at the date of approval of these financial statements, the trading of shares of the Company remains suspended.

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### **New and Amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior year and/or on the disclosures set out in these condensed consolidated financial statements.

#### **2.1 HKFRS 16 Leases**

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

##### ***Definition of a lease***

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

##### ***As a lessee***

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provision, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application HKFRS of 16:

The Group recognised lease liabilities of HK\$278,000 and right-of-use assets of HK\$13,319,000 at 1 January 2019.

	<b>At 1 January 2019 HK\$'000</b>
Operating lease commitments disclosed as at 31 December 2018	16,056
Less: Recognition exemption – leases with terms ending within 12 months of the date of initial application	(410)
Operating lease commitments of new assets which have not yet commenced as at 1 January 2019	<u>(15,646)</u>
Lease liabilities relating to operating lease recognised upon application of HKFRS 16	–
Add: obligation under finance leases recognised at 31 December 2018	<u>278</u>
Lease liabilities as at 1 January 2019	<u><u>278</u></u>
Analysed as:	
Current	278
Non-Current	<u>–</u>
	<u><u>278</u></u>

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	<i>Note</i>	<b>Right-of-use assets</b> <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		–
Reclassified from prepaid lease payments (a)		<u>13,319</u>
By class:		
Leasehold land		<u>13,319</u>

***As a lessor***

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	<b>Carrying amounts previously reported at 31 December 2018</b> <i>HK\$'000</i>	<b>Adjustments</b> <i>HK\$'000</i>	<b>Carrying amounts under HKFRS 16 at 1 January 2019</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Right-of-use assets	–	13,319	13,319
Prepaid lease payments	12,919	(12,919)	–
<b>Current assets</b>			
Prepaid lease payments	400	(400)	–
<b>Current liabilities</b>			
Lease liabilities	–	278	278
Obligation under finance lease	278	(278)	–

*Note:* For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

## New and amendments to HKFRSs in issue but not yet effective

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 3	Definition of Business <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020

### 3. REVENUE AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating segments”, which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”) in order to allocate resources to the segment and to assess its performance. The Group’s Executive Directors are the CODM for the purposes of HKFRS 8 as it collectively makes strategic decisions in allocating the Group’s resources and assessing performance.

For the segment reporting purpose to the CODM, the Group is currently organised into the following five operating and reportable segments:

Medical products and plastic toys business	Manufacturing and distribution of medical care products and plastic toys
Trading of garments	Trading of garments accessories, such as nylon type, polyester and polyester string
Securities brokerage business	Securities brokerage, margin financing and underwriting and placements
Money lending business and other financial services	Provision of loan services and other financial services
Assets management service	Provision of asset management services



## Revenue

An analysis of the Group's revenue by major products and services categories for the year are as follows:

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Medical products	49,812	47,770
Plastic toys	17,705	19,415
Garment accessories	28,186	27,946
Fee and commission income	2,014	2,134
	<hr/>	<hr/>
Revenue from contracts with customers	97,717	97,265
Interest income from		
– Loan receivables	134,117	132,740
– Margin financing	15,283	15,358
– Finance lease	475	950
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	149,875	149,048
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	247,592	246,313
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## Segment revenue and results

The following is an analysis of the Group's revenue and result by reportable and operating segment.

	Medical products and plastic toys business <i>HK\$'000</i>	Trading of garments business <i>HK\$'000</i>	Securities brokerage business <i>HK\$'000</i>	Money lending business and other financial services <i>HK\$'000</i>	Assets management service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>For the year ended 31 December 2019</b>						
<b>(unaudited)</b>						
Segment revenue – external	67,517	28,186	15,863	136,026	–	247,592
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Segment results	(11,357)	4,399	(38,646)	97,821	157	52,374
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Change in fair value of:						
– investment properties						1,800
– financial asset at FVTPL						(9,820)
– equity instrument at FVTPL						807
Realised loss of financial asset at FVTPL						(150)
Property rental income						3,085
Impairment of goodwill						(33,415)
Unallocated corporate income						8,924
Unallocated corporate expenses						(118,976)
						<hr/>
Loss before taxation						(95,371)
						<hr/> <hr/>

	Medical products and plastic toys business <i>HK\$'000</i>	Trading of garments <i>HK\$'000</i>	Securities brokerage business <i>HK\$'000</i>	Money lending business and other financial services <i>HK\$'000</i>	Assets management service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>For the year ended 31 December 2018</b>						
<b>(audited)</b>						
Segment revenue – external	67,185	27,946	15,858	135,324	–	246,313
Segment results	(15,959)	2,111	(39,487)	119,968	(911)	65,722
Change in fair value of:						
– investment properties						1,990
– financial asset at FVTPL						(21,665)
– equity instrument at FVTPL						(1,106)
– contingent consideration						(10,249)
Realised loss of financial asset at FVTPL						(12)
Property rental income						3,596
Loss on disposal of investment properties						(1,987)
Share of profit of an associate						167
Unallocated corporate income						744
Unallocated corporate expenses						(101,351)
Loss before taxation						<u>(64,151)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by/loss from each segment without allocation of change in fair value of investment properties/certain financial assets at FVTPL/held-for-trading investments not included in securities business and asset management segments, property rental income, impairment loss on deposits paid for acquisition of property, plant and equipment, share of loss of an associate, unallocated corporate income and unallocated corporate expenses. This is the measure reported to the CODM for the purpose of resources allocations and performance assessment.

## Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments.

	Medical products and plastic toys business <i>HK\$'000</i>	Trading of garments business <i>HK\$'000</i>	Securities brokerage business <i>HK\$'000</i>	Money lending business and other financial services <i>HK\$'000</i>	Assets management service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>As at 31 December 2019 (unaudited)</b>						
Segment assets	<u>100,936</u>	<u>15,847</u>	<u>315,247</u>	<u>1,386,048</u>	<u>2,493</u>	1,820,571
Investment properties						56,700
Investment in an associate						167
Deposit paid for forming of an associate						9,726
Deposit paid for acquisition of subsidiaries						6,700
Equity instruments at FVTPL						10,451
Financial assets at FVTPL						44,166
Other unallocated assets						<u>120,851</u>
Total assets						<u><u>2,069,332</u></u>
Segment liabilities	<u>47,230</u>	<u>16,086</u>	<u>45,647</u>	<u>7,988</u>	<u>707</u>	117,658
Bonds						767,677
Other unallocated liabilities						<u>75,814</u>
Total liabilities						<u><u>961,149</u></u>

	Medical products and plastic toys business <i>HK\$'000</i>	Trading of garments <i>HK\$'000</i>	Securities brokerage business <i>HK\$'000</i>	Money lending business and other financial services <i>HK\$'000</i>	Assets management service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>As at 31 December 2018 (audited)</b>						
Segment assets	<u>112,792</u>	<u>42,508</u>	<u>364,228</u>	<u>1,323,084</u>	<u>31,840</u>	1,874,452
Investment properties						54,900
Investment in an associate						167
Deposit paid for forming of an associate						10,028
Deposit paid for acquisition of subsidiaries						6,700
Equity instruments at FVTPL						9,644
Financial assets at FVTPL						46,559
Other unallocated assets						<u>194,289</u>
Total assets						<u><u>2,196,739</u></u>
Segment liabilities	<u>49,122</u>	<u>15,751</u>	<u>67,923</u>	<u>3,435</u>	<u>4,915</u>	141,146
Bonds						798,902
Other unallocated liabilities						<u>62,164</u>
Total liabilities						<u><u>1,002,212</u></u>

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets, other than investment properties, investment in an associate, equity instruments at FVTPL, deposits paid for acquisition of subsidiaries, deposit paid for forming of an associate and financial assets at FVTPL not included in securities brokerage business and assets management service segments and assets of the investment holding companies, are allocated to reportable and operating segments; and
- all liabilities, other than bonds and liabilities of the investment holding companies, are allocated to reportable and operating segments.

## Other segment information

	Medical products and plastic toys business <i>HK\$'000</i>	Trading of garments <i>HK\$'000</i>	Securities brokerage business <i>HK\$'000</i>	Money lending business and other financial services <i>HK\$'000</i>	Assets management service <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>For the year ended</b>							
<b>31 December 2019 (unaudited)</b>							
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to property, plant and equipment	150	-	-	-	-	-	150
Depreciation of property, plant and equipment	3,696	38	476	278	-	-	4,488
Provision of allowance for inventories	1,614	-	-	-	-	-	1,614
(Reversal)/Impairment loss recognised on trade receivables and loan receivables	840	(2,579)	34,709	45,701	-	-	78,671

	Medical products and plastic toys business <i>HK\$'000</i>	Trading of garments <i>HK\$'000</i>	Securities brokerage business <i>HK\$'000</i>	Money lending business and other financial services <i>HK\$'000</i>	Assets management service <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>For the year ended</b>							
<b>31 December 2018 (audited)</b>							
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to property, plant and equipment	943	303	-	8	-	-	1,254
Loss on disposal of investment properties	-	-	-	-	-	1,987	1,987
Depreciation of property, plant and equipment	3,769	-	1,372	225	-	-	5,366
Reversal of allowance for inventories	(336)	-	-	-	-	-	(336)
(Reversal)/Impairment loss recognised on trade receivables and loan receivables	(214)	(1,375)	24,521	14,761	-	-	37,693

## Geographical information

The Group's operations are principally located in the People's Republic of China (the "PRC") and Hong Kong.

Information about the Group's revenue from external customers is presented based on the locations of the customers.

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Hong Kong	179,051	171,248
Europe*	39,892	29,586
The United States of America	8,446	16,775
The PRC (excluding Hong Kong)	8,724	13,610
Australia	1,723	1,562
South America	296	408
Others*	9,460	13,124
	<u>247,592</u>	<u>246,313</u>

\* No further analysis by countries in these two categories is presented because the revenue from each individual country is insignificant to the total revenue.

Majority of the non-current assets are located in the PRC and Hong Kong.

## Information about major customers

The Group's revenue from external customers is mainly derived from the PRC and Hong Kong. For the year ended 31 December 2019, there was no customer which amounted for more than 10% of total revenue. For the year ended 31 December 2018, there was no customer which amounted for more than 10% of total revenue.

## 4. OTHER GAINS AND LOSSES

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Impairment loss on goodwill	(33,415)	–
Loss on disposal of property, plant and equipment	(3)	–
Loss on disposal of investment properties	–	(1,987)
Loss on disposal of financial asset at FVTPL	(150)	(12)
Fair value changes of:		
– investment properties	1,800	1,990
– financial asset at FVTPL	(9,820)	(21,665)
– equity instrument at FVTPL	807	(1,106)
– contingent consideration	–	(10,249)
	<u>(40,781)</u>	<u>(33,029)</u>

## 5. INCOME TAX (CREDIT) EXPENSE

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Current tax:		
Hong Kong Profits Tax	60	5,522
The PRC Enterprise Income Tax ("EIT")	721	930
Other jurisdictions	—	(201)
	<u>781</u>	<u>6,251</u>
Overprovision in prior years:		
Hong Kong Profits Tax	(1,397)	—
	<u>(616)</u>	<u>—</u>
Deferred taxation:		
Current year	(8,537)	(2,742)
	<u>(9,153)</u>	<u>3,509</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Corporate Income Tax in Taiwan is charged at 17% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

## 6. LOSS FOR THE YEAR

	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> (Audited)
Loss for the year has been arrived at after charging (crediting):		
Salaries, allowances and bonuses, including those of directors	<b>32,740</b>	28,048
Contributions to retirement benefit schemes, including those of directors	<b>1,240</b>	1,510
Total employee benefits expense, including those of directors	<b>33,980</b>	29,558
Amortisation of prepaid lease payments	<b>399</b>	414
Auditor's remuneration	<b>1,080</b>	1,050
Cost of inventories recognised as an expense	<b>78,889</b>	78,762
Depreciation of property, plant and equipment	<b>4,488</b>	5,366
Depreciation of right-of-use assets	<b>3,918</b>	–
Provision of allowance for inventories	<b>1,614</b>	(336)
Bank interest income	<b>(185)</b>	(106)
Property rental income net of negligible outgoing expenses	<b>(3,085)</b>	(3,596)

## 7. DIVIDENDS

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2019 (2018: nil).

## 8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> (Audited)
Loss for the year attributable to owners of the Company, for the purpose of basic and diluted loss per share	<b>(86,170)</b>	(68,090)
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b>2,303,224,137</b>	2,303,224,137

The computation of diluted loss per share for the year ended 31 December 2019 and 2018 does not assume the exercise of the Company's share option as the exercise would result in an decrease in loss per share for the year.



**9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS, LOAN RECEIVABLES AND FINANCE LEASE RECEIVABLES**

- (a) The Group allows an average credit period of 60 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts from medical products and plastic toys business and trading of garment presented based on the invoice date at the end of reporting period, which approximated the respective revenue recognition dates.

	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> (Audited)
Within 30 days	<b>7,138</b>	10,799
31 to 90 days	<b>4,969</b>	9,298
Over 90 days	<b>3,320</b>	2,382
	<u><b>15,427</b></u>	<u>22,479</u>

- (b) The normal settlement terms of trade receivables from cash clients and securities clearing house are two days after trade date.
- (c) In respect of trade receivables from cash clients, all of them are aged within 30 days (from settlement date) at the end of reporting period. Margin loan receivables from margin clients are repayable on demand subsequent to settlement date. No ageing analysis is disclosed, as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business of securities margin financing.
- (d) As at 31 December 2019, included in the Group's loan receivables balance are debtors with aggregate carrying amount of HK\$57,492,000 which are past due as at the reporting date, of which HK\$44,282,000 has been past due 90 days or more. The directors of the Company considers credit risks have increased significantly and those past due more than 90 days are considered as credit impaired.
- (e) In respect of finance lease receivables from debtors of which HK\$6,016,000 is aged within 1 year.

## 10. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Financial assets mandatorily at FVTPL:		
Listed securities held for trading:		
– Equity securities listed in Hong Kong	38,166	40,559
– Debt securities traded in Hong Kong	<u>6,000</u>	<u>6,000</u>
	44,166	46,559
Unlisted equity fund	<u>10,451</u>	<u>9,644</u>
	<u>54,617</u>	<u>56,203</u>
Analysed for reporting purpose as:		
Current assets	44,166	46,559
Non-current assets	<u>10,451</u>	<u>9,644</u>
	<u>54,617</u>	<u>56,203</u>

The Group has recorded a loss on fair value changes of held-for-trading investments for the year ended 31 December 2019 of HK\$9.8 million (2018: loss on fair value of HK\$22.8 million).

The fair value of measurement of the Group's held-for-trading investments were categorised into Level 1 and fair values have been determined by reference to the quoted market bid prices available on the Stock Exchange.

## 11. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an aged analysis of trade payables from medical products and plastic toys business and trading of garments presented based on the invoice date at the end of the reporting period:

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Within 30 days	13,258	13,987
31 to 90 days	3,211	4,644
Over 90 days	<u>5,691</u>	<u>6,507</u>
	<u>22,160</u>	<u>25,138</u>

## **BUSINESS REVIEW**

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

### **Medical Products and Plastic Toys Business**

For the medical products and plastic toy business, Europe represented the largest export market of this segment. Sales revenue from European customers increased by 34.8% for the year ended 31 December 2019 to HK\$39.9 million, representing 59.1% of the total revenue from medical products and plastic toys business. Revenue from US customers decreased by 49.7% for the year ended 31 December 2019 to HK\$8.4 million, accounting for 12.5% of the total revenue from medical and plastic toys business. Revenue from the PRC customers increased by 0.9% for the year ended 31 December 2019 to HK\$7.7million, accounting for 11.4% of the total revenue from medical and plastic toys business.

In terms of products, sales revenue from medical products for the year ended 31 December 2019 was HK\$49.8 million, representing an increase of 4.3% over last period and accounted for 73.8% of the total revenue from medical products and plastic toys business. The improvement was mainly due to the higher demand and more orders from overseas customers for powered scooters. Sales revenue from plastic toys slightly decreased by 8.8% for the year ended 31 December 2019 to HK\$17.7 million mainly due to keen market competition.

### **Securities Brokerage, Margin Financing, Underwriting and Placements**

Black Marble Securities Limited, a wholly-owned subsidiary of the Company (“Black Marble Securities”) has generated HK\$15.9 million revenue for the year ended 31 December 2019 (HK\$15.9 million for the year ended 31 December 2018), representing 6.4% of the total revenue of the Group. It was mainly contributed by the interest income generated from the margin client of HK\$15.3 million for the year ended 31 December 2019 (HK\$15.4 million for the year ended 31 December 2018).

### **Assets Management Business**

The Group wishes to provide a full range of financing services to its clients other than only securities brokerage, underwriting and placements services and money lending business. The Group has started to develop assets management business and wishes to launch different type of fund to attract new investors for scaling up the portfolio size and the Group will receive management fees and incentive fees based on the amount of assets under management, and returns of portfolios, respectively. However, the assets management business has not yet generated any revenue during the year ended 31 December 2019 due to the weak market condition.

## **Money Lending and Finance Leasing**

For the year ended 31 December 2019, the Group continued with its money lending business in providing secured and unsecured loans to customers comprising individuals and corporations and commenced its finance lease business in the PRC. The Group has generated HK\$134.6 million interest income for the year and has increased HK\$0.9 million as compared to last year, representing 54.4% of the total revenue of the Group. Directors are of the view that such business will keep contribute the income stream of the Group and is one of the main sources of income for the Group.

## **Sales of Garment Accessories**

The sales of garment accessories had generated HK\$28.2 million revenue for the year ended 31 December 2019 which indicated an increase of HK\$0.3 million as compared to last year and representing 11.4% of the total revenue of the Group. The business of trading of garment accessories continuously generated a stable income stream to the Group during the year.

## **PROSPECTS**

The Group has endeavored to develop and expand the financial sectors, including, money lending business, financing leasing and securities brokerage business in Hong Kong and the PRC. In order to further expand the business, the Company will focus on the existing businesses and wish to participate in providing other financial services, including but not limited to providing corporate finance, asset management, financial planning services, which can leverage with the Group's existing financial sectors.

However, the social demonstration in Hong Kong, the Sino-US trade relation and the outbreak of coronavirus (COVID-19) is having an adverse effect in the market and the worldwide economy. It would likely reduce the investor enthusiasm and our businesses in Hong Kong and the PRC are expected to be very challenging in the coming years. Since the COVID-19 pandemic, the PRC Government has taken emergency measures to prevent the spread of the COVID-19 in the PRC, including, among others, imposing restriction on work resumption date after the statutory holidays for Chinese New Year. It was expected that revenue of the Group's medical products and plastic toys business will decrease in the first quarter of 2020. Furthermore, the joint venture agreement with China Kweichow Moutai, Qianhai Xinhukang Financial Holdings (Shenzhen) Limited, First Shanghai Financial Investments Limited, and Shijiazhuang Changshan Textile was terminated on 16 January 2020, as it is anticipated that the application will not be approved by the CSRC under the current market condition and the environment in the PRC.

In light of the above, the Group will adopt cautious flexible strategy to face the market changes. Going forward, with a view to achieving better return and enhancing the expansion of the Group, the Group will keep focus on the existing business and look for potential investment opportunities to diversify its business scope and leverage with the Group's business. We are committed to strengthen the corporate governance of the Group, and will continue to facilitate the resumption of trading in the shares of the Company and create the greatest possible value for all the Shareholders.

## **FINANCIAL REVIEW**

Consolidated revenue of the Group for the year ended 31 December 2019 was HK\$247.6 million (2018: HK\$246.3 million), representing an increase of 0.5% over last year. The increase in the consolidated revenue was mainly due to the increase of money lending and finance leasing business, of which the increment was HK\$0.9 million.

Gross profit margin of the Group for the year was 68.1%, representing an increase of approximately 0.2 percentage points as compared to the gross profit margin of 67.9% in the last year. Loss of the Group for the year ended 31 December 2019 was HK\$86.2 million (2018: HK\$67.7 million) and loss for the year attributable to owners of the Company was HK\$86.2 million (2018: HK\$68.1 million). The decrease was mainly due to the increase of impairment loss of net of reversal of HK\$56.2 million while partially offset by the decrease of administrative expenses of HK\$33.8 million for the year ended 31 December 2019.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group adopts a conservative policy in its financial management and maintains a solid financial position. Cash and cash equivalents of the Group as at 31 December 2019 decreased by HK\$44.0 million to HK\$275.4 million as compared to HK\$319.4 million as at 31 December 2018. The Group has bank borrowings of HK\$3.2 million (2018: HK\$3.4 million), bank overdrafts of HK\$4.8 million (2018: HK\$5.0 million), term loan of HK\$28.0 million (2018: HK\$20.0 million) and bond payable of HK\$767.7 million (2018: HK\$798.9 million) as at 31 December 2019. As at 31 December 2019, the Group had net current assets of HK\$1,736.3 million (31 December 2018: HK\$1,832.8 million) and a current ratio of 10.9 (31 December 2018: 10.6). Average trade receivable turnovers and average inventory turnovers for the medical products and plastic toys business and trading of garments for the year ended 31 December 2019 were 73 days (31 December 2018: 114 days) and 66 days (31 December 2018: 78 days) respectively. The Group's gearing ratio as at 31 December 2019 was 72.5% (2018: 69.3%).

## **SIGNIFICANT INVESTMENTS**

Since there was no held-for-trading investments and other investments held by the Group valued more than 5% of the total assets of the Group as at 31 December 2019, there were no significant investments held by the Group. Details of the held-for-trading investments held by the Group and the fair value changes of the held-for-trading investments for the year are set out in note 10 to the financial statements.

## **PLEDGE OF ASSETS**

The bank borrowings were secured by personal guarantee and properties provided by a director of a subsidiary who is not a director of the Company, and guarantee provided by The Government of the Hong Kong Special Administrative Region under the Small and Medium Enterprise Loan Guarantee Scheme and charges over the Group's investment properties of approximately HK\$7.5 million (2018: HK\$8.1 million). The term loan of approximately HK\$28.0 million (2018: HK\$20.0 million) was secured by the Group's investment properties of approximately HK\$49.2 million (2018: HK\$46.8 million) as at 31 December 2019.

## **TERMINATION OF THE PROPOSED FORMATION OF A JOINT VENTURE SECURITIES COMPANY IN THE PRC**

Reference is made to the announcement of the Company dated 16 January 2020 that China Kweichow Moutai, Qianhai Xinhua Kang Financial Holdings (Shenzhen) Limited, First Shanghai Financial Investments Limited, Shijiazhuang Changshan Textile and Black Marble Securities (the “JV Shareholders”) entered into a termination agreement, pursuant to which, among others, the JV Shareholders agreed to terminate the JV Agreement, the Supplementary Agreement and the Second Supplementary Agreement (the “JV Agreements”), as it was anticipated that the application would not be approved by the CSRC under the current market condition in the PRC, after the assessment by the Preparatory Group.

As all the JV Shareholders agreed to terminate the JV Agreements, the JV Shareholders were no longer required to comply with the obligations under the JV agreements and were not liable to any compensation/claims as a result and the refundable deposit would be returned by the Preparatory Group to the JV Shareholders.

The Board considered that the termination of the JV Agreements would not cause any material adverse effect on the operation and business of the Group.

## **EXCHANGE RISK EXPOSURE**

The Group’s monetary assets, liabilities and transactions are mainly denominated in United States dollar, Renminbi, Hong Kong dollar, Euro and New Taiwan dollar. In the event that Renminbi appreciates, the Group will be affected directly. Although the Group currently does not maintain any hedging policy to hedge against foreign exchange exposure that may arise from the above transactions, the management team continuously assesses the foreign currency exposure, with an aim to minimize the impact of foreign exchange fluctuation on the Group’s business operations.

## **EQUITY PRICE RISK EXPOSURE**

The Group is exposed to equity price risk through its investments in listed securities. Although, the Group currently does not maintain any hedging policy to hedge against the equity price risk, the management team manages this exposure by monitoring the price movements and the changes in market conditions that may affect the value of the investments and will consider taking appropriate actions to minimize the risk.

## **CONTINGENT LIABILITY**

As at 31 December 2019, the Company did not have any significant contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2019, the Group employed a total workforce of around 220 staff members, of which about 180 worked in the PRC and the remaining in Hong Kong. Apart from basic salaries, discretionary bonus and contribution to retirement benefits schemes, share options may also be granted to staff with reference to the individual’s performance. Moreover, the Group also provides internal and external training to its staff to enable them to achieve self-improvement and to enhance their job related skills.

## DIVIDENDS

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2019 (2018: nil).

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, none of the Directors, Supervisor or the chief executive of the Company had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") which shall be recorded and maintained in the register pursuant to section 352 of the SFO, or which shall be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of Directors, the following Shareholders had notified the Company of relevant interests in the issued share capital of the Company.

### Long position in shares and underlying shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Mak Kwong Yiu	Beneficial owner	217,072,320	9.40%
Mr. Lai Shu Fun, Francis Alvin ( <i>Note 1</i> )	Beneficial owner	180,000,000	7.82%

*Note:*

(1) Mr. Lai Shu Fun, Francis Alvin owns shares through his wholly owned Opus Platinum Growth Fund.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 31 December 2019.

## **CORPORATE GOVERNANCE CODE**

The Directors consider that the Company had complied with Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2019, save for the deviations as stated below: Under the Code provision A.2.1 of the Code, the rules of the chairman and the chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive of the Company should be clearly established and set out in writing. Throughout the year ended 31 December 2019, the Company did not have chairman of the Board and chief executive officer. The Board has been looking for suitable candidates to fill the vacancies.

## **AUDIT COMMITTEE**

The Audit Committee, comprising the three independent non-executive Directors, namely Mr. Yu Tat Chi Michael, Mr. Yang Haihui and Mr. Lam Williamson, has reviewed the accounting principles and practices adopted by the Company and has discussed auditing, internal control and financial reporting matters. The Audit Committee has reviewed the Group’s unaudited financial statements for the year ended 31 December 2019.

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. All the Directors have confirmed that, following specific enquiry by the Company, they fully complied with the required standard as set out in the Model Code throughout the year ended 31 December 2019.

## **FURTHER ANNOUNCEMENT(S)**

The auditing process for the annual results of the Group for the year ended 31 December 2019 has been disrupted and has not been completed due to travel restrictions and other relevant measures implemented by the governments of the PRC and Hong Kong attributable to the outbreak of novel coronavirus (COVID-19). Therefore, the unaudited annual results contained herein have not been agreed with the auditors of the Company as required by the Listing Rules. The unaudited annual results contained herein have been reviewed by the Audit Committee.

Following the completion of the auditing process, the Company will make further announcement(s) in relation to the audited annual results of the Group for the year ended 31 December 2019 as soon as practicable. In addition, the Company may make further announcement(s) as and when appropriate if there are other material developments in the completion of the auditing process. The Company expects that the auditing process will be completed on or before 30 April 2020.

## **PUBLICATION OF ANNUAL REPORT**

The Company’s annual report for the year ended 31 December 2019 containing all the relevant information required by the Listing Rules and other applicable laws will be published in due course on the website of The Hong Kong Exchange and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.lerado.com](http://www.lerado.com).



## **SUSPENSION OF TRADING**

Trading in the shares of the Company on the Stock Exchange has been suspended at the direction of the Securities and Futures Commission since 6 June 2017 and remains suspended until further notice. Details refer to the announcements of the Company dated 5 June 2017, 6 June 2017, 7 June 2017, 9 August 2017, 31 July 2018, 7 November 2018, 31 January 2019, 12 March 2019, 30 April 2019, 1 August 2019, 1 November 2019 and 13 February 2019.

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

Hong Kong, 30 March 2020

*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.*