



Lerado Financial Group Company Limited

(Incorporated in Bermuda with limited liability)
Stock Code : 1225

INTERIM REPORT
2019

The background of the cover is a collage of financial and technological imagery. It includes a close-up of hands holding a pen over a laptop keyboard, a server rack with glowing lights, a candlestick chart, and a line graph. The design is overlaid with large, overlapping geometric shapes in shades of teal and light grey.

INTERIM RESULTS

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 six months ended 30 June 2019, along with the comparative figures and selected explanatory notes, which are prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and have been reviewed by the audit committee of the Company (the “Audit Committee”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
	Notes	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue		125,766	118,942
Gross proceeds from sale of financial assets at fair value through profit or loss (“FVTPL”)		6,855	2,160
		132,621	121,102
Revenue	3	125,766	118,942
Cost of inventories and services		(40,536)	(39,434)
		85,230	79,508
Other income		2,926	4,954
Other gains and losses		(22,427)	(21,884)
Marketing and distribution costs		(2,776)	(6,886)
Research and development expenses		–	(1,950)
Administrative expenses		(33,238)	(43,624)
Finance cost		(32,368)	(32,547)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Continued)

For the six months ended 30 June 2019

		Six months ended 30 June	
	<i>Notes</i>	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Loss before taxation		(2,653)	(22,429)
Income tax expense	4	(795)	(608)
Loss for the period	5	(3,448)	(23,037)
Other comprehensive expense			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising from translation		(596)	(954)
Other comprehensive expense for the period		(596)	(954)
Total comprehensive expense for the period		(4,044)	(23,991)
(Loss)/profit for the period attributable to:			
– Owners of the Company		(3,376)	(23,461)
– Non-controlling interests		(72)	424
		(3,448)	(23,037)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Continued)

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Total comprehensive (expense)/income for the period attributable to:			
– Owners of the Company		(3,972)	(24,415)
– Non-controlling interests		(72)	424
		(4,044)	(23,991)
		HK cents	HK cents
Loss per share	7		
– basic		(0.15)	(1.02)
– diluted		(0.15)	(1.02)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		31,052	33,184
Prepaid lease payments		12,668	12,919
Investment properties		54,900	54,900
Goodwill		35,315	35,315
Investment in an associate		167	167
Equity instruments at FVTPL	9	10,121	9,644
Deposit paid for acquisition of subsidiaries		6,700	6,700
Deposit paid for forming of an associate		10,028	10,028
Statutory deposits placed with clearing house		205	205
Deferred tax assets		10,863	7,401
Finance lease receivables	8	–	1,676
		172,019	172,139
Current assets			
Inventories		12,868	14,851
Trade and other receivables and prepayments	8	266,431	287,415
Finance lease receivables	8	12,090	10,208
Loans receivables	8	1,302,552	1,305,980
Tax recoverable		1,730	1,276
Prepaid lease payments		399	400
Financial assets at FVTPL	9	47,243	46,559
Bank balances – trust and segregated accounts		50,376	38,550
Bank balances (general accounts) and cash		330,324	319,361
		2,024,013	2,024,600

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2019

	Notes	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Current liabilities			
Trade and other payables and accruals	10	143,605	142,231
Obligation under finance lease		248	278
Taxation payable		25,023	20,862
Borrowings	11	31,306	28,418
		200,182	191,789
Net current assets		1,823,831	1,832,811
Total assets less current liabilities		1,995,850	2,004,950
Capital and reserves			
Share capital	12	690,968	690,968
Reserves		498,957	502,929
		1,189,925	1,193,897
Non-controlling interests		558	630
Total equity		1,190,483	1,194,527
Non-current liabilities			
Bond	11	793,846	798,902
Deferred tax liabilities		11,521	11,521
		805,367	810,423
Total equity and non-current liabilities		1,995,850	2,004,950

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
At 1 January 2019 (audited)	690,968	352,753	38,510	25,040	2,576	-	1,270	82,780	1,193,897	630	1,194,527
(Loss) profit for the period	-	-	-	-	-	-	-	(3,376)	(3,376)	(72)	(3,448)
Exchange differences arising from translation	-	-	-	-	(596)	-	-	-	(596)	-	(596)
Total comprehensive income for the period	-	-	-	-	(596)	-	-	(3,376)	(3,972)	(72)	(4,044)
At 30 June 2019 (unaudited)	690,968	352,753	38,510	25,040	1,980	-	1,270	79,404	1,189,925	558	1,190,483

For the six months ended 30 June 2018

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
At 1 January 2018 (audited)	690,968	352,753	38,510	23,885	6,540	-	1,270	182,912	1,296,838	200	1,297,038
(Loss) profit for the period	-	-	-	-	-	-	-	(23,461)	(23,461)	424	(23,037)
Exchange differences arising from translation	-	-	-	-	(954)	-	-	-	(954)	-	(954)
Total comprehensive income for the period	-	-	-	-	(954)	-	-	(23,461)	(24,415)	424	(23,991)
At 30 June 2018 (unaudited)	690,968	352,753	38,510	23,885	5,586	-	1,270	159,451	1,272,423	624	1,273,047

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Net cash from/(used) in operating activities	30,652	(5,478)
Net cash used in investing activities	(1,881)	(9,690)
Net cash used in financing activities	(17,127)	(10,552)
Net increase/(decrease) in cash and cash equivalents	11,644	(25,720)
Cash and cash equivalents at 1 January	314,340	361,035
Effect of foreign exchange rate changes	(666)	(429)
Cash and cash equivalents at 30 June, represented by		
Bank balances and cash	330,324	339,778
Bank overdrafts	(5,006)	(4,892)
	325,318	334,886

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“SEHK”).

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of unaudited condensed consolidated financial statements for the six months ended 30 June 2019 are consistent with those adopted in the preparation of annual report of the Company dated 29 March 2019 (the “Annual Report”) except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the “New and Revised HKFRSs”) (which include add HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA that are adopted for the first time for the current periods financial statements.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

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 for HKFRS 16, the adoption of above new and revised standards had no significant financial effect on the unaudited condensed consolidated financial statements. HKFRS 16 “Leases” HKFRS 16 supersedes HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application presented as an adjustment against the opening retained earnings, if any. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases under HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. The Group also elected to use the recognition exemption for lease contracts that, at the date of initial application, have a remaining lease term of 12 months or less and do not contain a purchase option and lease contracts for which the underlying asset is of low value.

Based on the management’s assessment, the adoption of HKFRS 16 did not have significant impact on the Group’s financial position nor on the financial performance. Accordingly, no adjustment has been made to the accumulated profit as at 1 January 2019.

No adjustments would be made on the unaudited consolidated financial statements of the Group for six months ended 30 June 2019 without the application of HKFRS 16.

The unaudited condensed consolidated financial statements have not been audited by the Company’s auditors, but have been reviewed by the audit committee of the Company.

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 services	Provision of asset management services

The following is an analysis of the Group’s revenue by major products and service categories for the period:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Medical products	26,931	22,130
Plastic toys	7,319	8,498
Sales of garment accessories	14,536	14,341
Fee and commission income	8,708	8,501
Revenue from contracts with customers	57,494	53,470
Interest income from loan receivables and finance lease receivables	68,272	65,472
	125,766	118,942

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

	Medical products and plastic toys business HK\$'000	Trading of garments HK\$'000	Securities brokerage business HK\$'000	Money lending business and other financial services HK\$'000	Assets Management services HK\$'000	Consolidated HK\$'000
For the six months ended 30 June 2019						
Segment revenue – external	34,250	14,536	7,926	69,054	-	125,766
Segment results	(7,041)	(98)	(4,787)	48,056	(468)	35,662
Change in fair value of: – financial asset at FVTPL						(825)
Realised gain of financial asset at FVTPL						87
Property rental income						1,584
Unallocated corporate income						829
Unallocated corporate expenses						(39,990)
Loss before taxation						(2,653)

	Medical products and plastic toys business HK\$'000	Trading of garments HK\$'000	Securities brokerage business HK\$'000	Money lending business and other financial services HK\$'000	Assets Management services HK\$'000	Consolidated HK\$'000
For the six months ended 30 June 2018						
Segment revenue – external	30,628	14,341	7,747	66,226	-	118,942
Segment results	(11,499)	30	(12,571)	65,397	(461)	40,896
Change in fair value of: – held-for-trading investment						(11,635)
Fair value change in contingent consideration						(10,249)
Property rental income						1,845
Unallocated corporate income						3,063
Unallocated corporate expenses						(46,349)
Loss before taxation						(22,429)

4. INCOME TAX EXPENSES

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	4,173	417
The People's Republic of China (the "PRC")		
Enterprise Income Tax	84	191
	4,257	608
Deferred tax:		
Current period	(3,462)	–
Income tax expense	795	608

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.

5. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	2,251	2,490
Amortisation of prepaid lease payments	203	232
Loss on disposal of property, plant and equipment	3	–
Fair value change of contingent consideration	–	10,249
Fair value change of financial asset at FVTPL	738	11,635
Impairment loss, net of reversal on trade and other receivable	2,032	–
Impairment loss, net of reversal on loan receivable	19,630	–
Impairment loss, net of reversal on finance lease receivable	26	–
Allowance for inventories	1,682	–
Bank interest income	(73)	(35)
Finance cost		
– Bank overdrafts and loans	1,318	120
– Bond	31,050	32,427
Property rental income net of negligible outgoing expenses	(1,584)	(1,845)

6. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: nil).

7. LOSS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company, for the purpose of basic and diluted loss per share	(3,376)	(23,461)
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of diluted loss per share	2,303,224,137	2,303,224,137

The computation of diluted loss per share for the six months ended 30 June 2019 and 2018 does not assume the exercise of the Company's options as the exercise would result in a decrease in loss per share.

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND LOANS RECEIVABLES AND FINANCE LEASE RECEIVABLES

Trade and other receivables and prepayments

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Trade receivable arising from: Medical products and plastic toys business and trading of garments (<i>Note a</i>)	39,187	38,237
Less: allowance for doubtful debts	(16,437)	(15,758)
	22,750	22,479
Trade receivables arising from securities brokerage business (<i>Note b</i>):		
– Cash clients	–	8,250
– Margin clients	185,821	201,694
– Clearing house	1,141	–
Less: allowance for doubtful debts	(35,280)	(33,931)
	151,682	176,013
Total trade receivables	174,432	198,492
Purchase deposits, other receivables and deposit	53,273	50,374
Prepayments	38,726	38,549
Total trade and other receivables and prepayments	266,431	287,415

- (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.

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Within 30 days	8,246	10,799
31 to 90 days	9,112	9,298
Over 90 days	5,392	2,382
	22,750	22,479

- (b) The normal settlement terms of trade receivable 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 the 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, the ageing analysis does not give additional value in view of the nature of business of securities margin financing.

Loans Receivables

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Loans receivables	1,226,408	1,240,105
Interest receivables	136,459	106,559
	1,362,867	1,346,664
Loss allowance for ECL	(60,315)	(40,684)
	1,302,552	1,305,980

As at 30 June 2019, approximately 29% of the loan receivables from the money lending and other financial services business were secured by pledged of assets or personal guarantee. The total amount are repayable within one year from the end of the reporting period. The range of interest rate is 6% to 12% per annum.

Included in loans receivables are debtors of secured loans receivables with the aggregate carrying amount of approximately HK\$23,224,000 (2018: HK\$33,800,000) which have been past due but the Directors consider that no impairment is required as there has not been a significant change in credit quality. In respect of loans receivables which are past due but not impaired at the end of the reporting period are all aged within 180 days (from maturity date).

The remaining amounts that are neither past due nor impaired at the end of the reporting period and the directors of the Company are of the opinion that the amounts are recoverable.

Finance lease receivables

In respect of finance lease receivables from debtors of which approximately HK\$12,090,000 (2018: HK\$10,208,000) is aged within 1 year and nil (2018: HK\$1,676,000) is aged over 1 year.

9. FINANCIAL ASSET AND EQUITY INSTRUMENTS AT FVTPL

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Financial assets mandatorily at FVTPL:		
Listed securities held for trading:		
– Equity securities listed in Hong Kong	41,243	40,559
– Debt securities traded in Hong Kong	6,000	6,000
	47,243	46,559
Unlisted equity fund	10,121	9,644
	57,364	56,203
Analysed for reporting purpose as:		
Current assets	47,243	46,559
Non-current assets	10,121	9,644
	57,364	56,203

The Group has recorded a loss on fair value changes of held-for-trading investments for the six months ended 30 June 2019 of approximately HK\$0.7 million (2018: HK\$11.6 million).

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

10. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Trade payables arising from medical products and plastic toys business and trading of garments	23,673	25,138
Trade payables arising from securities brokerage business		
– Cash clients	11,357	11,310
– Margin clients	40,143	27,235
– Clearing house	–	13,277
Total trade payables	75,173	76,960
Accrued expenses	3,703	5,050
Other payables	64,729	60,221
	143,605	142,231

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

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Within 30 days	13,372	13,987
31 to 90 days	4,044	4,644
Over 90 days	6,257	6,507
	23,673	25,138

11. BORROWINGS/BOND

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Bank overdrafts	5,006	5,021
Bank loans	3,300	3,397
Term loan	23,000	20,000
	31,306	28,418
Bond	793,846	798,902
	825,152	827,320
Less: Amounts due within one year shown under current liabilities	31,306	28,419
Amounts shown under non-current liabilities	793,846	798,902
Analysed as:		
Secured	31,306	28,418
Unsecured	793,846	798,902
	825,152	827,320

As at 30 June 2019, the aggregate principal amount of HK\$870,200,000 is unsecured with maturity date falling on the eighth anniversary of the issue date. The interest rate of the bonds are fixed at 6% and the interest is paid annually.

As at 30 June 2019, the Group had aggregate outstanding borrowings comprising (i) bank borrowings of HK\$1,556,000 (31 December 2018: HK\$1,628,000) and bank overdrafts of HK\$2,010,000 (31 December 2018: HK\$2,011,000) secured by a property of the Group and guaranteed by a director of a subsidiary of the Group, (ii) bank borrowing of HK\$1,743,000 (31 December 2018: HK\$1,769,000) and bank overdrafts of HK\$2,996,000 (31 December 2018: HK\$3,010,000) secured by properties owned by and guaranteed by a director of a subsidiary of the Group, and (iii) term loan of HK\$23,000,000 (2018: HK\$20,000,000) secured by the investment properties of the Group.

The Group's bank loans were at variable-rate interest ranged from Hong Kong Prime rate plus 2.20% to 4.50% (31 December 2018: 2.20% to 4.50%). The Group's term loans is at fixed-rated interest at 10.00% (2018: 13.00%) per annum.

12. SHARE CAPITAL

	Par value per share HK\$	Number of ordinary shares	Amount HK\$'000
Authorised:			
At 1 January 2018, 30 June 2018, 31 December 2018 and 30 June 2019	0.5	10,000,000,000	5,000,000
Issued and partially paid:			
At 1 January 2018, 30 June 2018, 31 December 2018 and 30 June 2019		2,303,224,137	690,968

13. RELATED PARTY DISCLOSURES

During the current interim period, the Group had transactions with a related party. The transactions during the current interim period are as follows:

(a) Transactions with a related party:

Interested directors	Nature of transaction	Six months ended 30 June	
		2019 HK\$'000	2018 HK\$'000
Mr. Lai Kin Chung, Kenneth (Note i)	Interest income from a director	5	2

Note:

- i. Mr. Lai Kin Chung, Kenneth has resigned as an executive Director on 28 January 2019.

(b) Compensation of key management personnel

The remuneration of directors, who are the key management of the Group, during the period are as follows:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Short-term employee benefits	1,547	1,482

The remuneration of directors was decided by the board of directors, which is reviewed by the Remuneration Committee, having regard to the performance of the individuals and market trends.

14. COMMITMENTS

As at the end of the current interim period, the Group had the following commitment:

Contracted for but not provided in the condensed consolidated financial statements:

	30 June	31 December
	2019	2018
	HK\$'000	HK\$'000
Capital expenditure in respect of the formation of an investment	423,716	423,716

MANAGEMENT DISCUSSION AND ANALYSIS

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 approximately 33.3% for the period ended 30 June 2019 to approximately HK\$20.6 million, representing approximately 60.2% of the total revenue from medical products and plastic toys business. Revenue from US customers decreased by approximately 11.1% for the period ended 30 June 2019 to approximately HK\$5.6 million, accounting for approximately 16.4% of the total revenue from medical and plastic toys business. Revenue from the PRC customers decreased by approximately 34.9% for the period ended 30 June 2019 to approximately HK\$2.8million, accounting for approximately 8.2% of the total revenue from medical and plastic toys business.

In terms of products, sales revenue from medical products for the period ended 30 June 2019 was approximately HK\$26.9 million, representing an increase of approximately 21.7% over the same period of last year and accounted for approximately 78.6% 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 power scooters. Sales revenue from plastic toys decreased by approximately 13.9% for the period ended 30 June 2019 to approximately HK\$7.3 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") had generated approximately HK\$7.9 million revenue for the six months ended 30 June 2019 and had increased approximately 2.6% over the same period of last year, representing approximately 6.3% of the total revenue of the Group.

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 had not yet generated any revenue during the six months ended 30 June 2019 because the said business was still in development stage.

Money Lending and Finance Leasing

For the six months ended 30 June 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 had generated approximately HK\$68.3 million interest income for the six months ended 30 June 2019, increased approximately HK\$2.8 million as compared to the same period of last year, representing approximately 54.3% of the total revenue of the Group. The increase in revenue was mainly contributed by the Group's effort in expanding its loan portfolio. Directors are of the view that such business will keep contributing an income stream of the Group.

Sales of Garment Accessories

The sales of garment accessories had generated approximately HK\$14.5 million revenue for the six months ended 30 June 2019 which indicated an increase of approximately HK\$0.2 million as compared to the same period of last year and representing approximately 11.5% 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 period.

PROSPECTS

The Directors believe that by taking a proactive approach in developing and diversifying the financial business sector of the Group will generate promising returns to the shareholders of the Company (the “Shareholders”) in the future. 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 and aim at extending our financial businesses to the market of Mainland China.

As such, Black Marble Securities has entered into the joint venture agreement with China Kweichow Moutai (Group) Distillery Co., Ltd, Huakang Insurance Agency Co., Ltd, First Shanghai Financial Holding Limited and Shijiazhuang Changshan Textile Co., Ltd in relation to the proposed joint venture formation under the CEPA framework for the purpose of establishing a licensed corporation to provide full range of securities and financial services in the PRC. The joint venture company, with its proposed name of Guangdong Silk Road Securities Co., Ltd, will be established as a limited liability company, with its office to be established in the Nansha District, Guangzhou City, Guangdong Province, the PRC. The Directors consider that through the joint venture company, the Group will be able to tap into the financial services market in the PRC and capture any opportunities arising from the increasing investment and fund raising demand in the PRC. The joint venture can bring synergy effects to the Group’s existing securities brokerage business and leverage with the Group’s other financial businesses in the future. As at the date of this report, the joint venture shareholders are still waiting for the People’s Government of Guangdong Province’s written consent. Once the written consent is obtained, the joint venture shareholders will submit the formal application to the China Securities Regulatory Commission for the establishment of and the grant of regulatory licenses to the proposed joint venture company.

Going forward, with a view to achieving better return and enhancing the expansion of the Group, the Group will keep expanding the existing business and look for potential investment opportunities to diversify its business scope and leverage with the Group’s financial sectors. 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 for the six months ended 30 June 2019 was approximately HK\$125.8 million (2018: HK\$118.9 million), representing an increase of approximately 5.7% over the corresponding period last year. The increase in the consolidated revenue was mainly due to the increase of money lending business and other financial services and medical products and plastic toys business, of which the increment was approximately HK\$6.5 million.

Gross profit margin for the six months ended 30 June 2019 was approximately 67.8%, representing an increase of approximately 1% as compared to the gross profit margin of 66.8% in the same period of last year. It was mainly because the revenue generated from securities brokerage business and the money lending business and other financial services shared a higher gross profit ratio than the medical products and plastic toys businesses.

Loss for the six months ended 30 June 2019 was approximately HK\$3.4 million (2018: HK\$23.0 million) and loss for the period attributable to owners of the Company was approximately HK\$3.4 million (2017: HK\$23.5 million). The increase was mainly attributable to the decrease in marketing and distribution costs of approximately HK\$4.1 million, administrative expenses of approximately HK\$10.4 million and increase in the gross profit of approximately HK\$5.7 million.

GUARANTEED PROFIT ON ACQUISITION OF SUBSIDIARIES

On 11 October 2017, the Company entered into an agreement (the “Acquisition Agreement”) with GE Oriental Financial Group Limited (“GOFG”), an independent third party of the Group, to purchase the 80% issued share capital of Genuine Oriental Wealth Management Limited (“GOWM”), by paying cash consideration of HK\$13,000,000. The transaction was completed on 18 October 2017 (the “Acquisition Date”).

GOWM is principally engaged in providing insurance brokerage service. Pursuant to the Acquisition Agreement, GOFG warrants and represents to the Group that for the period from 1 April 2017 to 31 March 2018, that the net profit after tax of GOWM shall not be less than HK\$2 million (the "Profit Guarantee"). According to the audited report of GOWM received in June 2018, the Profit Guarantee was achieved. As at 31 December 2017, the fair value of contingent consideration receivable was approximately HK\$10,249,000. Thus, the Group had recognised a loss of fair value change in contingent consideration of approximately HK\$10,249,000 for the six months ended 30 June 2018.

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 30 June 2019 increased by approximately HK\$10.9 million to approximately HK\$330.3 million as compared to approximately HK\$319.4 million as at 31 December 2018. As at 30 June 2019, the Group had bank borrowings of approximately HK\$3.3 million (2018: HK\$3.4 million), bank overdrafts of HK\$5.0 million (2018: HK\$5.0 million) and bond payable of approximately HK\$793.8 million (2018: HK\$798.9 million). As at 30 June 2019, the Group had net current assets of approximately HK\$1,823.8 million (2018: HK\$1,832.8 million) and a current ratio of approximately 9.8 (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 six months ended 30 June 2019 were 84 days (2018: 114 days) and 63 days (2018: 78 days) respectively. The Group's gearing ratio as at 30 June 2019 was approximately 69.3% (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 30 June 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 six months ended 30 June 2019 are set out in note 9 to this report.

RESULT OF RIGHTS ISSUE

Reference is made to the announcement of the Company dated 29 June 2016, the Company proposed to raise gross proceeds of not less than approximately HK\$307.1 million before expenses and not more than approximately HK\$309.6 million before expenses, by way of rights issue of not less than 1,535,482,758 rights shares and not more than 1,547,952,006 rights shares at the subscription price of HK\$0.20 per rights share on the basis of two rights shares for every one Consolidated Share held on the record date (the “Rights Issue”). On 21 September 2016, 1,535,482,758 ordinary shares were allotted and issued pursuant to the Rights Issue. The net proceeds for the Rights Issue were approximately HK\$301 million. Up to the date of this report, proceeds from the Rights Issue (i) for HK\$150 million seed capital investment and operation in the asset management company, the Group has fully injected into the fund and operation in the asset management company; (ii) for HK\$80 million in developing the finance lease business in the PRC, the Group has utilised HK\$19.8 million and the remaining will be utilised as planned; and (iii) remaining balance of HK\$71 million for general working capital of the Company has been utilised HK\$30 million and HK\$41 million in securities brokerage business and money lending business respectively.

Reference is made to the announcements of the Company dated 14 March 2017 and 24 April 2018 (the “Announcements”), the Underwriter and the Company mutually agreed to terminate the Underwriting Agreement effective from 24 April 2018, and the rights issue would not be proceeded further. Please refer to the Announcements for details.

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\$8.1 million (2018: HK\$8.1 million). The term loan of approximately HK\$23.0 million (2018: HK\$20.0 million) was secured by the Group’s investment properties of approximately HK\$46.8 million (2018: HK\$46.8 million) as at 30 June 2019.

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 because a certain extent of business of the Group is in the PRC. 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 30 June 2019, the Company did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group employed a total workforce of 230 staff members, of which 190 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.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019.

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 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 SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

SUBSTANTIAL SHAREHOLDERS

As at 30 June 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 (Note 1)	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 30 June 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 six months ended 30 June 2019, save for the deviations as stated below:

Under the Code provision A.2.1 of the Code, the roles 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 six months ended 30 June 2019, the Company did not have chairman of the Board and chief executive. 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 condensed consolidated financial statements for the six months ended 30 June 2019.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code for securities transactions by the Directors on terms equivalent to the required standard of the Model Code. All Directors have confirmed, that following specific enquiry made by the Company, they fully complied with the required standard as set out in the Model Code for the six months ended 30 June 2019.

SUSPENSION OF TRADING

Trading in the shares of the Company on the SEHK 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, 17 June 2019 and 1 August 2019.

On behalf of the Board

Lerado Financial Group Company Limited

Ho Kuan Lai

Executive Director

Hong Kong, 30 August 2019

As at the date of this report, 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.