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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The Board of Directors (the “Board”) 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 2016, together 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:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	<i>Notes</i>	Six months ended 30 June	
		2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Revenue		107,645	62,610
Gross proceeds from sale of held-for-trading investments		29,074	47,127
		136,719	109,737
Revenue	3	107,645	62,610
Cost of inventories and services		(67,215)	(55,338)
		40,430	7,272
Other income		9,516	4,989
Other gains and losses		(115,453)	626,155
Marketing and distribution costs		(3,356)	(3,668)
Research and development expenses		(615)	(1,235)
Administrative expenses		(39,974)	(33,707)
Share of result of an associate		(2,266)	–
Finance cost		(1,606)	(200)
		(113,324)	599,606
(Loss) profit before taxation		(113,324)	599,606
Income tax credit (expense)	4	15,660	(103,231)
		(97,664)	496,375
(Loss) profit for the period	5	(97,664)	496,375
Other comprehensive (expense) income			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising from translation		(1,114)	401
		(98,778)	496,776
Total comprehensive (expense) income for the period		(98,778)	496,776

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – CONT'D

For the six months ended 30 June 2016

		Six months ended 30 June	
	<i>Notes</i>	2016	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
(Loss) profit for the period attributable to:			
– Owners of the Company		(96,981)	496,375
– Non-controlling interests		(683)	–
		<u>(97,664)</u>	<u>496,375</u>
 Total comprehensive (expense) income for the period attributable to:			
– Owners of the Company		(98,095)	496,776
– Non-controlling interests		(683)	–
		<u>(98,778)</u>	<u>496,776</u>
		<i>HK cents</i>	<i>HK cents</i>
			(restated)
(Loss) earnings per share	<i>7</i>		
– basic		<u>(12.63)</u>	<u>261.31</u>
– diluted		<u>(12.63)</u>	<u>261.25</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	<i>Notes</i>	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		101,335	110,010
Prepaid lease payments		14,270	14,767
Investment properties		44,819	32,542
Goodwill		31,600	42,918
Investment in an associate		13,273	7,539
Available-for-sale investments		5,850	5,968
Deposits paid for acquisition of an additional interest in an available-for-sale investment		5,977	–
Deposits paid for acquisition of property, plant and equipment		103,352	103,352
Deposits paid for acquisition of a subsidiary		3,880	–
Statutory deposits placed with clearing house		230	272
		324,586	317,368
Current assets			
Inventories		29,895	34,303
Trade and other receivables and prepayments	8	373,674	161,278
Loans receivables	8	390,210	–
Prepaid lease payments		410	419
Held-for-trading investments	9	460,000	511,765
Tax recoverables		234	–
Bank balances held in an escrow account		–	34,998
Bank balances – trust and segregated accounts		72,429	463,015
Bank balances (general accounts) and cash		380,563	894,934
		1,707,415	2,100,712
Current liabilities			
Trade and other payables and accruals	10	161,353	524,261
Taxation payable		15,938	26,157
Borrowings	11	11,016	11,540
Derivative financial instruments		–	285
		188,307	562,243
Net current assets		1,519,108	1,538,469
Total assets less current liabilities		1,843,694	1,855,837

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONT'D*At 30 June 2016*

	<i>Notes</i>	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Capital and reserves			
Share capital		383,871	383,871
Reserves		1,291,981	1,390,759
Total equity		1,675,852	1,774,630
Non-current liabilities			
Deferred tax liabilities		63,416	81,207
Bond	<i>11</i>	104,426	–
		167,842	81,207
Total equity and non-current liabilities		1,843,694	1,855,837

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“SEHK”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties, investment properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the Group's Executive Directors being the chief operating decision maker (the "CODM") for the purposes of resources allocation and assessment of segment performance. The Group is currently organised into the following four 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

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

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Medical products	42,918	51,395
Plastic toys	12,534	10,120
Sales of garment accessories	14,149	1,095
Fee and commission income	28,987	–
Interest income from loan receivables	9,057	–
	<hr/>	<hr/>
	107,645	62,610
	<hr/> <hr/>	<hr/> <hr/>

3. REVENUE AND SEGMENT INFORMATION – continued

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 <i>HK\$'000</i>	Securities brokerage business <i>HK\$'000</i>	Money lending business and other financial services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
For the six months ended					
30 June 2016					
Segment revenue – external	55,452	14,149	28,987	9,057	107,645
Segment results	(13,741)	(10,715)	12,152	7,171	(5,133)
Change in fair value of:					
– held-for-trading investment					(104,552)
– derivative financial instruments					53
Property rental income					805
Share of loss of an associate					(2,266)
Unallocated corporate income					336
Unallocated corporate expenses					(2,567)
Loss before taxation					(113,324)
For the six months ended					
30 June 2015					
Segment revenue – external	61,515	1,095	–	–	62,610
Segment results	(29,440)	97	–	–	(29,343)
Change in fair value of					
held-for-trading investments					626,518
Property rental income					1,469
Unallocated corporate income					2,006
Unallocated corporate expenses					(1,044)
Profit before taxation					599,606

4. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	2,069	16
The People's Republic of China ("the PRC")		
Enterprise Income Tax	62	186
Other jurisdictions	–	44
	<u>2,131</u>	<u>246</u>
Deferred tax:		
Current year	<u>(17,791)</u>	<u>102,985</u>
Income tax (credit) expense	<u>(15,660)</u>	<u>103,231</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Under the Law of the People's Republic of China 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 periods.

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

5. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
(Loss) profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	2,946	2,397
Amortisation of prepaid lease payments	208	221
(Gain) loss on disposal of property, plant and equipment	(15)	17
Fair value change of held-for-trading investment (included in other gains and losses)	104,552	(626,518)
Impairment loss on goodwill (included in other gains and losses)	11,318	–
Exchange (gain) loss (included in other gains and losses)	(132)	346
Reversal of inventories to net realised value	–	(626)
Reversal of allowance of trade and other receivables	–	(599)
Direct write-off of inventories	–	783
Bank interest income	(719)	(1,875)
Finance cost		
– Bank overdrafts and loans	244	200
– Bond	1,362	–
Property rental income net of negligible outgoing expenses	<u>(805)</u>	<u>(1,469)</u>

6. DIVIDENDS

No dividends were paid, declared or prepared during both interim periods.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: nil).

7. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000 (restated)
(Loss) profit for the period attributable to owners of the Company, for the purpose of basic and diluted (loss) earnings per share	<u>(96,981)</u>	<u>496,375</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	767,741,379	189,953,756
Effect of dilutive potential ordinary shares in respect of share options	<u>—</u>	<u>45,859</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>767,741,379</u>	<u>189,999,615</u>

For the six months ended 30 June 2015, the weighted average number of ordinary shares has been adjusted for the effect of the Open Offer of shares of the Company that was completed on 21 December 2015, details refer to note 15 to the consolidated financial statements in the annual report for the year ended 31 December 2015.

On 15 August 2016, the Company completed a share consolidation which involve the consolidation of every five shares of HK\$0.1 each into one consolidated share of HK\$0.5 each ("Consolidated Shares"). For the six months ended 30 June 2016 and 2015, the weighted average number of ordinary shares has been adjusted for the effect of the share consolidation.

The computation of diluted loss per share for the six-months ended 30 June 2016 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

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 2016 HK\$'000	31 December 2015 HK\$'000
Within 30 days	12,327	12,064
31 to 90 days	11,109	6,722
Over 90 days	17,002	20,548
	40,438	39,334

In respect of trade receivables from cash clients, all of them are aged within 30 days. Trade receivables from margin clients are repayable on demand. 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. All loans receivables at the end of the reporting period are aged within 180 days.

9. HELD-FOR-TRADING INVESTMENTS

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Equity securities listed in Hong Kong	458,700	511,765
Debt securities traded in Hong Kong	1,300	–
	460,000	511,765

As at 30 June 2016, 66% of the held-for-trading investments represented investments in China Jicheng Holdings Limited, a company listed on the main board of the Stock Exchange.

The fair value of measurement of the Groups 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

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 2016 <i>HK\$'000</i>	31 December 2015 <i>HK\$'000</i>
Within 30 days	9,899	12,520
31 to 90 days	11,633	6,960
Over 90 days	4,535	5,482
	<hr/> 26,067 <hr/>	<hr/> 24,962 <hr/>

11. BORROWINGS/BOND

	30 June 2016 <i>HK\$'000</i>	31 December 2015 <i>HK\$'000</i>
Bank overdrafts	4,969	4,966
Bank loans	6,047	6,574
	<hr/> 11,016 <hr/>	11,540
Bond	104,426	–
	<hr/> 115,442 <hr/>	11,540
Less: Amounts due within one year shown under current liabilities	(11,016)	(11,540)
	<hr/> 104,426 <hr/>	<hr/> – <hr/>

12. EVENTS AFTER THE REPORTING PERIOD

- (i) On 19 April 2016, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party of the Group to purchase the entire issued share capital of Creative Wisdom Limited for a cash consideration HK\$38,673,000. As at 30 June 2016, the Group paid a deposit of HK\$3,880,000. The transaction was completed on 26 July 2016.

Assets and liabilities recognised at the date of acquisition:

	<i>HK\$'000</i>
Net assets acquired:	
Investment properties	38,800
Other receivables	29
Accrual and other payables	<u>(156)</u>
Net assets acquired	<u><u>38,673</u></u>
Net cash outflow arising on acquisition:	
Consideration paid in cash	(38,673)
Less: Deposits paid	<u>3,880</u>
Net cash outflow after 30 June 2016	<u><u>(34,793)</u></u>

- (ii) On 15 August 2016, the Company completed a share consolidation which involve the consolidation of every five shares of HK\$0.1 each into one consolidated share of HK\$0.5 each.

Further to the share consolidation, the Company announced an issue of shares at a price of HK\$0.20 per share on the basis of two shares for every one Consolidated Share then held by the qualifying shareholders on the record date and payable in full on the acceptance ("Rights Issue") as detailed disclosed in the announcement dated on 29 June 2016.

The Rights Issue has not yet completed up to the date of this announcement and is subject to, among other things, the fulfillment of the conditions set out in the announcement of the Company dated 24 August 2016.

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 became the largest export market of this segment. Sales revenue from European customers decreased by 23.4% for the six months ended 30 June 2016 to HK\$24.4 million, representing 44.0% of the total revenue from medical products and plastic toys business. Revenue from US customers increased by 3.4% for the six months ended 30 June 2016 to HK\$17.1 million, accounting for 30.7% of the total revenue from medical and plastic toys business.

In terms of products, sales revenue from medical products for the six months ended 30 June 2016 was HK\$42.9 million, representing a decrease of 16.5% over last period and accounted for 77.4% of the total revenue from medical products and plastic toys business. The decrease was mainly due to keen market competition for both powered and manual products and economic uncertainty resulted from the Brexit. Sales revenue from plastic toys increased by 23.9% for the six months ended 30 June 2016 to HK\$12.5 million mainly due to the increase in orders from PRC customers.

Securities Brokerage, Margin Financing, Underwriting and Placements

Securities brokerage, margin financing, underwriting and placements business has generated HK\$29.0 million revenue during the six months period ended, representing 27% of the total revenue of the Group and such business has become one of the main sources of income for the Group. It was because the Company's open offer has been completed in December 2015 and the Directors have kept the proactive approach in expanding the securities brokerage business by utilizing the proceed from the open offer.

As such, Black Marble Securities Limited has actively acted as underwriters and placing agents for the listed companies in fund-raising activities in the past months. Margin financing is also made available to margin clients in leveraging their investments, the Group's margin client receivable has increased from HK\$43.9 million as at 31 December 2015 to HK\$258.7 million as at 30 June 2016, and the client base has expanded to approximately 522 clients, out of which approximately 246 are margin financing clients.

Money Lending

For the six months ended 30 June 2016, the Group continued with its money lending business in providing secured and unsecured loans to customers comprising individuals and corporations. The Group has generated HK\$9.1 million interest income for the period ended and Directors are of the view that such business will keep contribute the income stream of the Group and would become one of the main sources of income for the Group.

Sales of Garment Accessories

Since June 2015, the Group diversified into the business of the sales of garment accessories and it has generated HK\$14.1 million revenue for the period, representing 13.1% 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 previous open offer aimed to expand the financial business sector of the Group. Since the previous open offer, Black Marble Securities has been actively participated in the securities market as underwriter and placing agent for Hong Kong listed companies and Black Marble Capital Limited has endeavoured to develop and expand the money lending business in Hong Kong, as a result the securities brokerage, margin financing, underwriting and placement services and the money lending business has become the main income stream of the Group.

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 in the future. In order to further expand the business, the Company will focus on the existing businesses and investment in securities market, 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, the Company has proposed to raise approximately HK\$307.1 million before expenses by way of Rights Issues of 1,535,482,758 Rights Shares by the Company 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 proceeds are intended to be applied in the following manner:

- approximately HK\$150 million, representing approximately 49.8% of the net proceeds from the Rights Issue for seed capital investment for the proposed portfolio and operation of asset management business;
- approximately HK\$80 million, representing approximately 26.6% of the net proceeds from the Rights Issue for developing the finance lease business in the PRC; and
- approximately HK\$71 million, representing approximately 23.6% of the net proceeds from the Rights Issue for financing the operation of the Group's existing securities brokerage, margin financing and money-lending business.

Going forward, with a view to achieving better return and enhancing the expansion of the Group, the Group will keep expanding and developing the existing business and look for potential investment opportunities to diversify its business scope and leverage with the Group's financial sectors.

FINANCIAL REVIEW

Consolidated revenue for the six months ended 30 June 2016 was HK\$107.6 million (2015: HK\$62.6 million), representing an increase of 71.9% over the corresponding period last year. The increase in the consolidated revenue was mainly due to the new businesses carried out since July 2015, of which the contribution from the securities brokerage business was HK\$29.0 million (2015: nil) and from the money lending business was HK\$9.1 million (2015: nil).

Gross profit margin for the period was 37.6%, representing an increase of approximately 26 percentage points as compared to the gross profit margin of 11.6% in the corresponding period last year. It was mainly due to the securities brokerage business and the money lending business that the Group has commenced in July 2015 has a higher gross profit ratio than the medical products and plastic toys businesses.

Loss for the six months ended 30 June 2016 was HK\$97.7 million (2015: Profit for the period HK\$496.4 million) and loss for the period attributable to owners of the Company was HK\$97.0 million (2015: Profit for the period attributable to owners of the Company HK\$496.4 million). The decrease was mainly due to the loss on fair value changes of held-for-trading investments of HK\$104.6 million for the six months ended 30 June 2016 as compared to the gain on fair value changes of held-for-trading investments of HK\$626.5 million recorded for the six months ended 30 June 2015.

ACQUISITIONS OF ASSETS AND SUBSIDIARIES

On 31 March 2016, the company entered into the various agreements (the “Agreements”) with the vendors to purchase 20,500,000 shares of 杭州錢內助金融信息服務有限公司 (the “Target Company”), at the consideration of RMB32,800,000 (equivalent to HK\$38,376,000). As at 30 June 2016, the Group paid a deposit of RMB5,000,000 (equivalent to HK\$5,977,000). As at 30 June 2016, the Group holds 10% of the issued share capital of the Target Company and is classified as an available-for-sale investment. Upon completion of the acquisition, the Group will hold 51% of the issued share capital of the Target Company. Up to the date of this interim report, the above transaction is not yet complete.

On 19 April 2016, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party of the Group to purchase the entire issued share capital of Creative Wisdom Limited for a cash consideration HK\$38,672,000. As at 30 June 2016, the Group paid a deposit of HK\$3,880,000. The transaction was completed on 26 July 2016.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a conservative policy in its financial management and maintains a solid financial position.

During the period, the Group used HK\$598.0 million in its operating activities and HK\$19.8 million in its investing activities and had net cash inflow of HK\$103.7 million from financing activities. Cash and cash equivalents at 30 June 2016 decreased by HK\$514.4 million as compared to HK\$894.9 million as at 31 December 2015.

As at 30 June 2016, the Group’s bank balances and cash, mainly denominated in Hong Kong dollar and US dollar, was HK\$380.6 million. The Group has bank borrowings of HK\$6.0 million (2015: HK\$6.2 million), bank overdrafts of HK\$5.0 million (2015: HK\$5.6 million) and bond payable of HK\$104.4 million (2015: nil) as at 30 June 2016.

As at 30 June 2016, the Group had net current assets of HK\$1,519.1 million (31 December 2015: HK\$1,538.5 million) and a current ratio of 9.1 (31 December 2015: 3.7). Average trade receivable turnovers and average inventory turnovers for the medical products and plastic toys business and trading of garments were 104 days (31 December 2015: 84 days) and 95 days (31 December 2015: 88 days) respectively. The Group’s gearing ratio as at 30 June 2016 was 6.9% (2015: 0.65%).

SIGNIFICANT INVESTMENTS

At 30 June 2016, the Group held approximately 1,479.2 million shares of China Jicheng Holdings Limited (“CJHL”) of fair value HK\$303.2 million representing 15% of the total assets of the Group as at 30 June 2016 (the “Significant Investments”). The shares of CJHL is listed on the main board of SEHK and is principally engaged in the manufacturing and sale of POE umbrellas and nylon umbrellas and umbrella parts such as plastic cloth and shaft to its customers. According to the CJHL’s 2015 annual report, the Company believes that the prospect of CJHL is to further strengthen its leading market position and consolidate its competitive advantages in the industry, expanding production capacity, improving business development, and enhancing its research and development capabilities in order to match the increasing demand of the umbrella market and create higher values as well as bringing better return to their shareholders.

Except the Significant Investments held by the Group, there was no other held-for-trading investments held by the Group valued more than 5% of the total assets of the Group as at 30 June 2016. Going forward, the Directors consider the performance of the equities may remain susceptible to external market condition.

RESULT OF OPEN OFFER

On 17 August 2015, the Company proposed to raise gross proceeds of not less than HK\$431.9 million before expenses by issuing not less than 2,879,030,172 ordinary shares of HK\$0.10 each to the qualifying shareholders at a subscription price of HK\$0.15 per offer share by way of an open offer on the basis of three offer shares for every one existing share held on the record date (the “Open Offer”). On 21 December 2015, 2,879,030,172 ordinary shares were allotted and issued pursuant to the Open Offer. The net proceeds for the Open Offer were approximately HK\$421.6 million.

Up to the date of this announcement, proceed from the open offer (i) for the HK\$288 million intended to be used in Black Marble Securities Limited; and (ii) for the HK\$117 million intended to be used in the money lending business, the Group has fully utilized as intended.

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 property of approximately HK\$6.5 million (2015: HK\$6.5 million).

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.

EXCHANGE RISK EXPOSURE

The Group's monetary assets, liabilities and transactions are mainly denominated in US 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.

CONTINGENT LIABILITY

As at 30 June 2016, the Company and its subsidiaries, together with certain Disposed Subsidiaries, are in litigations with two independent third parties. The Company entered into the S&P Agreement (details refer to note 10 to the consolidated financial statements in the annual report for the year ended 31 December 2015), pursuant to which the Company agrees to indemnify the Buyer against all losses and claims incurred by the Disposed Subsidiaries in connection with the two litigations described below.

- (i) During the year ended 31 December 2013, the Company, a wholly-owned subsidiary and certain Disposed Subsidiaries have been named as defendants in a United States District Court action in respect of an alleged breach of contractual undertakings for an amount of US\$2,222,000 (equivalent to HK\$17,333,000). The next trial date has been set on 6 February 2017. The directors of the Company, after considering that this litigation is in its early stage and the outcome of the proceedings is uncertain, are of the opinion that no provision for any potential liability should be made in these condensed consolidated financial statements.
- (ii) During the year ended 31 December 2014, the Company, two of its wholly-owned subsidiaries and two of the Disposed Subsidiaries have been named as joint defendants together with, among others, Baby Trend, Inc. in a United States District Court on the alleged faulty design in a car seat manufactured by the Company under the contract for Baby Trend, Inc. The next trial date has been set on 24 April 2017. The directors of the Company, after considering that this litigation is in its early stage and the outcome of the proceedings is uncertain, are of the opinion that no provision for any potential liability should be made in these condensed consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Group employed a total workforce of around 300 staff members, of which about 230 worked in the PRC, about 10 in Taiwan 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 2016.

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

During the period, 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

At 30 June 2016, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in shares and underlying shares of the Company

Name of director	Number of shares held as			Total interests	Approximate percentage of the issued share capital of the Company
	Beneficial owner	Spouse interest	Corporate interest		
Mr. Huang Ying Yuan	11,864,000	4,936,000 <i>(Note 1)</i>	208,654,160 <i>(Note 2)</i>	225,454,160	5.87%
Mr. Mak Kwong Yiu	217,072,320	–	–	217,072,320	5.65%

Notes:

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

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations, which were recorded in the register maintained by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, as at 30 June 2016.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, 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 certain 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 substantial shareholder	Capacity	Number of shares	Approximate % of the issued share capital
Mr. David Michael Webb	Beneficial owner <i>(Note 1)</i>	330,231,970	8.60%
China Automotive Interior Decoration Holdings Limited	Beneficial owner <i>(Note 2)</i>	300,000,000	7.82%
Black Marble Securities Limited	Beneficial owner	1,331,011,686	34.67%
Black Marble Group (Hong Kong) Limited	Controlled corporation	1,331,011,686	34.67%
Black Marble Group Limited	Controlled corporation	1,331,011,686	34.67%
Lerado Financial Group Company Limited	Controlled corporation	1,331,011,686	34.67%

Note:

1. Mr. David Michael Webb beneficially owns 116,927,970 shares, and in addition he holds 213,304,000 shares through Preferable Situation Assets Limited, which is 100% directly owned by him.
2. China Automotive Interior Decoration Holdings Limited owns 300,000,000 shares through its wholly owned Link Excellent Limited.

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 2016.

CORPORATE GOVERNANCE CODE

The Directors consider that the Company has complied with Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2016, save for the deviations as stated below:

Code Provision A.2.1 – The roles of the chairman and the CEO of the Company were not separated and were performed by Mr. Huang Ying Yuan for the period from 1 January 2016 to 31 March 2016 and by Mr. Mak Kwong Yiu for the period from 1 April 2016 to 30 June 2016 respectively.

The Directors meet regularly to consider major matters affecting the operations of the Group. As such, the Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of Group and believes that this structure will enable the Group to make and implement decisions promptly and efficiently.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the three Independent Non-executive Directors, 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 2016.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code. All Directors have confirmed, following specific enquiry by the Company, which they fully complied with the required standard as set out in the Model Code throughout the period.

PUBLICATION OF THE INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.lerado.com. The interim report of the Company for the six months ended June 30, 2016 will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

On behalf of the Board
Lerado Financial Group Company Limited
Mak Kwong Yiu
Chairman

Hong Kong, 29 August 2016

As at the date of this announcement, the executive Directors are Mr. MAK Kwong Yiu (Chairman and Chief Executive Officer), Mr. HUANG Ying Yuan (Honorary Chairman), Mr. CHEN Chun Chieh, Mr. HUANG Shen Kai and Mr. LAI Kin Chung, Kenneth; and the independent non-executive Directors are Mr. LAM Chak Man, Mr. YE Jianxin, Mr. CHERN Shyh Feng and Mr. HSU Hong Te.