LERADO FINANCIAL GROUP
隆 成 金 融 集 團

Lerado Financial Group Company Limited
隆成金融集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1225)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	**2018** ***HK$'000***	2017 *HK$'000*
Revenue		**246,313**	224,221
Gross proceeds from sale of financial asset at fair value through profit or loss ("FVTPL")		**16,424**	143,640
		262,737	367,861
Revenue	*3*		
– Goods and service		**112,623**	122,483
– Interest		**133,690**	101,738
Total revenue		**246,313**	224,221
Cost of inventories and services		**(79,017)**	(79,970)
		167,296	144,251
Other income		**9,025**	12,856
Other gains and losses	*4*	**(33,029)**	(600,264)
Impairment loss, net of reversal		**(37,693)**	(4,733)
Marketing and distribution costs		**(9,508)**	(8,813)
Research and development expenses		**(49)**	(899)
Administrative expenses		**(96,130)**	(102,880)
Share of profit (loss) of an associate		**167**	(5,907)
Finance costs		**(64,230)**	(45,570)

	NOTES	2018 HK$'000	2017 HK$'000
Loss before taxation		**(64,151)**	(611,959)
Income tax (expense) credit	5	**(3,509)**	76,959
Loss for the year	6	**(67,660)**	(535,000)
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Gain (loss) on revaluation of land and buildings		**1,540**	3,996
Recognition of deferred tax asset (liability) arising on revaluation of land and buildings		**(385)**	–
		1,155	3,996
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation		**(3,964)**	3,005
Other comprehensive (expense) income for the year		**(2,809)**	7,001
Total comprehensive expense for the year		**(70,469)**	(527,999)
Loss for the year attributable to:			
Owners of the Company		**(68,090)**	(534,962)
Non-controlling interests		**430**	(38)
		(67,660)	(535,000)
Total comprehensive expense attributable to:			
Owners of the Company		**(70,899)**	(527,961)
Non-controlling interests		**430**	(38)
		(70,469)	(527,999)
Loss per share	8		
– Basic		**(HK2.96 cents)**	(HK23.23 cents)
– Diluted		**(HK2.96 cents)**	(HK23.23 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**33,184**	36,242
Prepaid lease payments		**12,919**	14,408
Investment properties		**54,900**	71,676
Goodwill		**35,315**	35,315
Investment in an associate		**167**	–
Equity instruments at FVTPL	11	**9,644**	–
Available-for-sale investments		**–**	1,000
Deposits paid for acquisition of subsidiaries		**6,700**	–
Deposits paid for forming of an associate		**10,028**	10,028
Statutory deposits placed with clearing house		**205**	230
Deferred tax assets		**7,401**	–
Finance lease receivables		**1,676**	9,315
		172,139	178,214
Current assets			
Inventories		**14,851**	19,022
Trade and other receivables and prepayments	9	**180,856**	279,952
Finance lease receivables	9	**10,208**	6,881
Loans receivables	9	**1,412,539**	1,323,470
Tax recoverable	9	**1,276**	–
Prepaid lease payments		**400**	420
Contingent consideration		**–**	10,249
Financial asset at FVTPL	11	**46,559**	68,604
Bank balances (trust and segregated accounts)		**38,550**	39,374
Bank balances (general accounts) and cash		**319,361**	366,038
		2,024,600	2,114,010
Current liabilities			
Trade and other payables and accruals	12	**142,231**	130,200
Obligation under finance lease		**278**	–
Taxation payable		**20,862**	16,578
Borrowings		**28,418**	9,384
		191,789	156,162
Net current assets		**1,832,811**	1,957,848
		2,004,950	2,136,062

	NOTES	2018 HK$'000	2017 HK$'000
Capital and reserves			
Share capital		**690,968**	690,968
Reserves		**502,929**	605,870
		1,193,897	1,296,838
Non-controlling interests		**630**	200
Total equity		**1,194,527**	1,297,038
Non-current liabilities			
Bonds		**798,902**	827,720
Deferred tax liabilities		**11,521**	11,304
		810,423	839,024
		2,004,950	2,136,062

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 21/F & 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")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time.

Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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 years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 9 Financial Instruments ("HKFRS 9")

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement ("HKAS 39").

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale investments *HK$'000*	Finance lease receivables *HK$'000*	Trade and other receivables and prepayment *HK$'000*	Loans receivables *HK$'000*	Equity instrument at fair value through profit or loss *HK$'000*	Deferred tax assets *HK$'000*	Retained profits *HK$'000*
Closing balance at 31 December 2017 – HKAS 39		1,000	16,196	378,058	1,225,364	–	–	182,912
Effect arising from initial application of HKFRS 9:								
Reclassification								
From available-for-sales investment	*(a)*	(1,000)	–	–	–	1,000	–	–
Remeasurement								
Impairment under ECL model	*(b)*	–	(62)	(9,354)	(27,097)	–	4,471	(32,042)
Opening balance at 1 January 2018		–	16,134	368,704	1,198,267	1,000	4,471	150,870

(a) Available-for-sale ("AFS") investments

At the date of initial application of HKFRS 9, the Group's 5% equity interest in the unlisted equity investments of HK$1,000,000 were reclassified from available-for-sale investments measured at cost less impairment to equity instrument at FVTPL. No fair value change relating to those equity investments previously carried at cost less impairment were adjusted to equity instrument at FVTPL and retained profits as at 1 January 2018.

(b) Financial assets at FVTPL and/or designated at FVTPL

The Group has reassessed its investments in equity and debt securities classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, HK$68,604,000 of the Group's investments were held for trading and continued to be measured at FVTPL.

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and lease receivables. Except for those which had been determined as credit impaired under HKAS 39, the remaining balances are grouped based on past due analysis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including loan receivables and bank balances is assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, additional credit loss allowance of HK$32,042,000 has been recognised against retained profits. The additional loss allowance is charged against the respective asset.

Impairment under ECL model

Impairment under ECL model The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivable. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

All loss allowances, including trade receivables, finance lease receivable and loans receivable as at 1 January 2018 are as follows:

	Trade receivables *HK$*	**Finance lease receivables** *HK$*	**Loans receivables** *HK$*
As 31 December 2017 – HKAS 39	17,447	–	–
Amounts remeasured through opening retained profits	9,354	62	27,097
At 1 January 2018	26,801	62	27,097

2.2 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Manufacturing and sales of medical products and plastic toys
- Sales of garment accessories
- Commission income from provision of securities brokerage services

In view of the Group's operations, there is no impact of applying HKFRS 15 on the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 as well as transition to HKFRS 15 on retained earnings at 1 January 2018.

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited)	**HKFRS 9**	**1 January 2018 (Restated)**
Non-current Assets			
Available-for-sale investment	1,000	(1,000)	–
Equity instruments at fair value through profit or loss	–	1,000	1,000
Finance lease receivables	9,315	(36)	9,279
Deferred tax assets	–	4,471	4,471
Current Assets			
Trade and other receivables and prepayments	3,787,058	(9,354)	3,777,704
Finance lease receivables	6,881	(26)	6,855
Loans receivables	1,225,364	(27,097)	1,198,267
Capital and reserves			
Reserves	605,870	(32,042)	573,828

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening statement of financial position as at 1 January 2018 as disclosed above.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[2]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to HKFRS 3	*Definition of business*[4]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[5]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*[1]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for annual periods beginning on or after 1 January 2021.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for business combinations and assets acquisition for which the acquisition date is on or after the first annual period beginning on or after 1 January 2020.

5 Effective for annual period beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and financing/operating cash flows respectively by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

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:

	2018	2017
	HK$'000	*HK$'000*
Medical products	**47,770**	46,738
Plastic toys	**19,415**	19,792
Garment accessories	**27,946**	28,193
Fee and commission income	**17,492**	27,760
Interest income from loans receivables and finance lease receivables	**133,690**	101,738
	246,313	224,221

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 *HK$'000*	Trading of garments *HK$'000*	Securities brokerage business *HK$'000*	Money lending business and other financial services *HK$'000*	Assets management service *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2018						
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						**(106)**
– contingent consideration						**(10,249)**
Realised loss of financial asset at FVTPL						**(12)**
Property rental income						**3,596**
Loss on disposal of investment properties						**(1,993)**
Share of profit of an associate						**167**
Impairment of equity instrument at FVTPL						**(1,000)**
Unallocated corporate income						**744**
Unallocated corporate expenses						**(101,345)**
Loss before taxation						**(64,151)**

	Medical products and plastic toys business	Trading of garments	Securities brokerage business	Money lending business and other financial services	Assets management service	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2017						
Segment revenue – external	66,530	28,193	27,760	101,738	–	224,221
Segment results	(8,500)	1,983	(50,082)	98,050	(1,670)	39,781
Change in fair value of:						
– investment properties						4,161
– held-for-trading investments						(592,150)
– contingent consideration						3,516
Property rental income						4,166
Impairment loss on deposit paid for acquisition of additional interest in an available-for-sale investment						(5,977)
Loss on disposal of available-for-sale investment						(5,189)
Loss an disposal of property, plant and equipment						(3,025)
Impairment of goodwill						(1,600)
Share of loss of an associate						(5,907)
Unallocated corporate income						138
Unallocated corporate expenses						(49,873)
Loss before taxation						(611,959)

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 described in note 3. Segment results represent the profit earned by/loss from each segment without allocation of change in fair value of investment properties/certain held-for-trading investments not included in securities business and asset management segments/derivative financial instruments, 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 *HK$'000*	Trading of garments *HK$'000*	Securities brokerage business *HK$'000*	Money lending business and other financial services *HK$'000*	Assets management service *HK$'000*	Consolidated *HK$'000*
As at 31 December 2018						
Segment assets	112,792	42,508	364,228	1,323,084	31,840	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						195,565
Total assets						2,196,739
Segment liabilities	49,122	15,751	67,923	3,435	4,915	141,146
Bonds						798,902
Other unallocated liabilities						62,164
Total liabilities						1,002,212

	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 service *HK$'000*	Consolidated *HK$'000*
As at 31 December 2017						
Segment assets	90,628	50,801	406,181	1,337,460	67,101	1,952,171
Investment properties						71,676
Available-for-sale investments						1,000
Deposit paid for an associate						10,028
Held-for-trading investments						68,604
Contingent consideration						10,249
Other unallocated assets						178,496
Total assets						2,292,224
Segment liabilities	(20,349)	(16,341)	(97,600)	(4)	(9,598)	(143,892)
Bonds						(827,720)
Other unallocated liabilities						(23,574)
Total liabilities						(995,186)

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

- all assets, other than investment properties, investment in an associate, available-for-sale investments, deposits paid for acquisition of property, plant and equipment, deposit paid for acquisition of additional interest in available-for-sale investment, held-for-trading investments and contingent consideration 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 *HK$'000*	Trading of garments *HK$'000*	Securities brokerage business *HK$'000*	Money lending business and other financial services *HK$'000*	Assets management service *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2018							
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 property, plant and equipment	**71**	**–**	**–**	**–**	**–**	**–**	**71**
Gain on disposal of investment properties	**–**	**–**	**–**	**–**	**–**	**(1,993)**	**(1,993)**
Depreciation of property, plant and equipment	**3,877**	**–**	**1,372**	**225**	**–**	**–**	**5,474**
Reversal of allowance for inventories	**(336)**	**–**	**–**	**–**	**–**	**–**	**(336)**
Impairment loss on equity instrument at FVTPL	**–**	**–**	**–**	**–**	**–**	**(1,000)**	**(1,000)**
(Reversal)/Impairment loss recognised on trade receivables and loan receivables	**(214)**	**(1,375)**	**24,521**	**14,761**	**–**	**–**	**37,693**

	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 service *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2017							
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to property, plant and equipment	844	–	–	–	–	730	1,574
Loss on disposal of property, plant and equipment	–	–	–	–	–	(3,025)	(3,025)
Depreciation of property, plant and equipment	1,371	–	1,519	–	–	272	3,162
Impairment loss on goodwill	–	–	1,600	–	–	–	1,600
Reversal of allowance for inventories	(2,677)	–	–	–	–	–	(2,677)
Reversed of impairment loss recognised on trade receivables	(8)	(2,019)	–	–	–	–	(2,027)
Impairment loss recognised on trade receivables	–	–	6,760	–	–	–	6,760

Geographical information

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

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**171,248**	150,896
Europe*	**29,586**	34,586
The United States of America	**16,775**	10,246
The PRC (excluding Hong Kong)	**13,610**	14,921
Australia	**1,562**	1,712
South America	**408**	455
Others*	**13,124**	11,405
	246,313	224,221

* 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 2018, there was no customer which amounted for more than 10% of total revenue. For the year ended 31 December 2017, there was no customer which amounted for more than 10% of total revenue.

4. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Impairment loss on goodwill	**–**	(1,600)
Impairment loss on equity instrument at FVTPL	**(1,000)**	–
Loss on disposal of property, plant and equipment	**(1,987)**	(3,025)
Loss on disposal of financial asset at FVTPL	**(12)**	(5,189)
Impairment loss on deposit paid for acquisition of an associate	**–**	(5,977)
Fair value changes of:		
– investment properties	**1,990**	4,161
– financial asset at FVTPL	**(21,665)**	(592,150)
– equity instrument at FVTPL	**(106)**	–
– contingent consideration	**(10,249)**	3,516
	33,029	(600,264)

5. INCOME TAX (CREDIT) EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**5,522**	8,089
The PRC Enterprise Income Tax ("EIT")	**930**	548
Other jurisdictions	**(201)**	–
	6,251	8,637
Overprovision in prior years:		
Hong Kong Profits Tax	**–**	(1,400)
The PRC EIT	**–**	–
Other jurisdictions	**–**	–
	–	(1,400)
Deferred taxation:		
Current year	**(2,742)**	(84,196)
	3,509	(76,959)

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

	2018	2017
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Salaries, allowances and bonuses, including those of directors	**28,048**	47,350
Contributions to retirement benefit schemes, including those of directors	**1,510**	2,146
Total employee benefits expense, including those of directors	**29,558**	49,496
Amortisation of prepaid lease payments	**414**	404
Auditor's remuneration	**1,050**	950
Cost of inventories recognised as an expense	**78,762**	74,845
Depreciation of property, plant and equipment	**5,366**	3,162
Reversal of allowance for inventories	**(336)**	(2,677)
Bank interest income	**(106)**	(201)
Property rental income net of negligible outgoing expenses	**(3,596)**	(4,163)

7. DIVIDENDS

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2018 (2017: 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:

	2018	2017
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company, for the purpose of basic and diluted loss per share	**(68,090)**	(534,962)
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,303,224,137**	2,303,224,137

The computation of diluted loss per share for the year ended 31 December 2018 and 2017 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.

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**10,799**	6,484
31 to 90 days	**9,298**	6,674
Over 90 days	**2,382**	18,955
	22,479	32,113

(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 2018, included in the Group's loan receivables balance are debtors with aggregate carrying amount of HK$33,822,000 which are past due as at the reporting date, of which HK$33,822,000 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$10,208,000 is aged within 1 year and HK$1,676,000 is aged over 1 year.

11. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	HK$'000	*HK$'000*
Financial assets mandatorily at FVTPL:		
Listed securities held for trading:		
– Equity securities listed in Hong Kong	**40,559**	62,604
– Debt securities traded in Hong Kong	**6,000**	6,000
	46,559	68,604
Unlisted equity fund	**9,644**	–
	56,203	68,604
Analysed for reporting purpose as:		
Current assets	**46,559**	68,604
Non-current assets	**9,644**	–
	56,203	68,604

The Group has recorded a loss on fair value changes of held-for-trading investments for the year ended 31 December 2018 of HK$21.8 million (2017: loss on fair value of HK$592.2 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.

12. 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:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**12,846**	9,960
31 to 90 days	**2,047**	3,241
Over 90 days	**3,316**	10,247
	18,209	23,448

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 decreased by 14.5% for the year ended 31 December 2018 to HK$29.6 million, representing 44.0% of the total revenue from medical products and plastic toys business. Revenue from US customers increased by 63.7% for the year ended 31 December 2018 to HK$16.8 million, accounting for 25.0% of the total revenue from medical and plastic toys business. Revenue from the PRC customers decreased by 23.4% for the year ended 31 December 2018 to HK$7.6million, 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 2018 was HK$47.8 million, representing an increase of 2.2% over last period and accounted for 71.1% 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 1.9% for the year ended 31 December 2018 to HK$19.4 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 2018 and has decreased 41.8% over last period, representing 6.4% of the total revenue of the Group. It was because the weak market condition led the interest income generated from the margin client has been decreased by HK$6.9 million from HK$22.3 million for the year 31 December 2017 to 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 2018 due to the said business is still in development stage.

Money Lending and Finance Leasing

For the year ended 31 December 2018, 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$135.3 million interest income for the year and has increased HK$33.6 million as compared to last year, representing 54.9% 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 has become one of the main sources of income for the Group.

Sales of Garment Accessories

The sales of garment accessories had generated HK$27.9 million revenue for the year ended 31 December 2018 which indicated a decrease of HK$0.3 million as compared to last year and representing 11.3% 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 kept expanding in the securities market and has endeavoured to develop and expand the money lending business in Hong Kong and the PRC, 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, and representing 61.4% of the total revenue of the Group for the year. 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 Closer Economic Partnership Arrangement (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 announcement, 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 of the Group for the year ended 31 December 2018 was HK$246.3 million (2017: HK$224.2 million), representing an increase of 9.9% over last year. Although, the revenue from securities brokerage, underwriting and placements services and medical products and plastic toys business has decreased by HK$11.2 million, 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$33.6 million.

Gross profit margin of the Group for the period was 67.9%, representing an increase of approximately 3.6 percentage points as compared to the gross profit margin of 64.3% in the last year. It was mainly due to 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. The revenue from securities brokerage business and the money lending business represented 61.4% of the total revenue of the Group for the year, representing an increase of approximately 3.6 percentage points as compared to the last year.

Loss of the Group for the year ended 31 December 2018 was HK$67.7 million (2017: HK$535.0 million) and loss for the year attributable to owners of the Company was HK$68.1 million (2017: HK$535.0 million). The increase was mainly due to the loss on fair value changes of held-for-trading investments of HK$592.2 million was recognised for the year ended 31 December 2017, while loss on fair value change of held-for-trading investments of HK$21.8 was recognised for the year ended 31 December 2018.

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, 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 year ended 31 December 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 31 December 2018 decreased by HK$46.6 million to HK$319.4 million as compared to HK$366.0 million as at 31 December 2017. The Group has bank borrowings of HK$3.4 million (2017: HK$4.3 million), bank overdrafts of HK$5.0 million (2017: HK$5.1million), term loan of HK$20.0 million (2017: nil) and bond payable of HK$798.9 million (2017: HK$827.7 million) as at 31 December 2018. As at 31 December 2018, the Group had net current assets of HK$1,832.8 million (31 December 2017: HK$1,957.8 million) and a current ratio of 10.6 (31 December 2017: 13.5). 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 2018 were 114 days (31 December 2017: 116 days) and 78 days (31 December 2017: 78 days) respectively. The Group's gearing ratio as at 31 December 2018 was 69.3% (2017: 64.5%).

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 2018, 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 11 to the financial statements.

RESULT OF RIGHTS ISSUE

On 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 announcement, proceeds from the Rights Issue (i) for the 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 the HK$80 million in developing the finance lease business in the PRC, the Group has 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.

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$8.4 million (2017: HK$9.4 million). The term loan of approximately HK$20.0 million (2017: nil) was secured by the Group's investment properties of approximately HK$46.8 million (2017: nil) as at 31 December 2018.

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 2018, the Company did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group employed a total workforce of around 260 staff members, of which about 210 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 for the year ended 31 December 2018.

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

During the year ended 31 December 2018, 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 2018, 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 31 December 2018, 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 31 December 2018.

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 2018, 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 six months ended 31 December 2018, 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 audited financial statements for the year ended 31 December 2018.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 2018.

SCOPE OF WORK OF ELITE PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Elite Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners CPA Limited on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The Company's annual report for the year ended 31 December 2018 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 and the website of the Company at www.lerado.com.

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 and 12 March 2019.

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

Hong Kong, 29 March 2019

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