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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to the annual report of Lerado Financial Group Company Limited (the “**Company**”) for the year ended 31 December 2021 dated 31 March 2022 (the “**Annual Report**”) and published on 29 April 2022. Capitalised terms used in this announcement shall have the same meanings as those defined in the Annual Report unless otherwise defined herein.

In addition to the information contained in the Annual Report, the Board hereby further provides to the Shareholders and the potential investors of the Company with the following supplementary information to the section headed “Money Lending and Finance Leasing”.

MONEY LENDING AND FINANCE LEASING

In respect of the money lending business and finance leasing business, the Group targeted on variety of customers including individuals and corporate customers by providing secured or unsecured loans. The source of customers was mainly past customers or referrals by third parties. The Company sourced customers through this channel because it was a direct and authentic way to spread word about our business and it also reduced the marketing cost. There were 163 borrowers under the money lending business as at 31 December 2021.

To become the Company customers (including corporate customers and individual customers), the customer is required to disclose in the loan application a list of information including but not limited to the size, term and use of the loan, whether the loan will be guaranteed or secured, and capability of repayment.

Regarding corporate customers, we require the customer to provide various types of documentation, such as a copy of business registration certificate, certificate of incorporation, register of members and directors, articles of association and latest of the audited report or management account.

Regarding individual customers, we require the customer to provide various types of documentation, such as a copy of the identification card of the borrower for individual customers, or asset or income proof. As at 31 December 2021, the amount of secured loans was approximately HK\$303.3 million and the amount of unsecured loans was HK\$1,149.4 million. In respect of the portion of secured or unsecured loans, it is expected that the loan portfolio will shift to more secured loan focused in the future when considering new loan applications. The source of funds for the money lending business is funded by the internal resources of the Group. The following table sets forth details of the top 20 borrowers in term of outstanding loan receivable as at 31 December 2021:

The identity	The date when the loan was granted	Loss allowance made in year 2021 <i>HK\$'000</i>	Tenure of the loan	Interest rate (p.a.)	Repayment schedule	Loan and interest receivables as at 31 Dec 2021 <i>HK\$'000</i>	Any collaterals and guarantee
Customer A	20/04/16	156	7 years	10.00% p.a.	Repaid annually in respect of interest	31,704	Asset pledged
Customer B	16/05/16	142	7 years	12.00%p.a.	Repaid annually in respect of interest	29,740	Asset pledged
Customer C	22/06/16	142	7 years	10.00% p.a.	Repaid annually in respect of interest	29,198	Asset pledged
Customer D	23/06/16	69	7 years	10.00% p.a.	Repaid annually in respect of interest	28,552	Asset pledged
Customer E	23/06/16	—	7 years	10.00% p.a.	Repaid annually in respect of interest	28,552	Asset pledged
Customer F	28/06/16	113	7 years	10.00% p.a.	Repaid annually in respect of interest	28,525	Asset pledged
Customer G	31/10/16	8,140	7 years	10.00% p.a.	Repaid annually in respect of interest	32,593	Personal guarantee
Customer H	22/11/16	4,278	7 years	10.00% p.a.	Repaid annually in respect of interest	17,060	N/A
Customer I	01/03/17	130	6 years	8.00% p.a.	Repaid annually in respect of interest	26,141	N/A
Customer J	08/03/17	97	6 years	8.00% p.a.	Repaid annually in respect of interest	19,433	N/A
Customer K	10/03/17	123	6 years	8.00% p.a.	Repaid annually in respect of interest	24,827	N/A
Customer L	20/03/17	4,044	6 years	10.00% p.a.	Repaid annually in respect of interest	16,124	N/A
Customer M	07/04/17	89	6 years	10.00% p.a.	Repaid annually in respect of interest	17,598	N/A
Customer N	26/04/17	4,534	6 years	10.00% p.a.	Repaid annually in respect of interest	18,080	Asset pledged
Customer O	26/04/17	—	6 years	10.00% p.a.	Repaid annually in respect of interest	18,230	Asset pledged
Customer P	27/04/17	89	6 years	11.00% p.a.	Repaid annually in respect of interest	17,391	N/A
Customer Q	27/04/17	90	6 years	11.00% p.a.	Repaid annually in respect of interest	17,641	N/A
Customer R	19/05/17	4,977	6 years	11.00% p.a.	Repaid annually in respect of interest	19,842	Asset pledged
Customer S	22/05/17	117	6 years	11.00% p.a.	Repaid annually in respect of interest	22,795	N/A
Customer T	31/03/21	238	2 years	10.00% p.a.	Repaid annually in respect of interest	12,904	N/A

Lerado Finance Limited and BlackMarble Capital Limited principally engage in money lending business in Hong Kong and are licensed money lenders in Hong Kong under the Money Lenders Ordinance. We also have a business license to conduct the finance leasing business in the PRC.

The terms of a loan were determined on a case-by-case basis following arm's length negotiation between the Company and the borrowers, taking into account the factors such as the borrowers' requirements, the credit risks and prevailing market conditions.

Regarding monitoring the credit risk of the long-term loans, the Company closely reviewed and monitored the loan repayment status subsequent to the drawdown of loans on a regular basis to ensure that loan repayments were punctual and past due accounts were handled efficiently. When there were past due accounts, the Group would take actions including discuss the repayment terms or settlement proposals with the borrower and if unsuccessful, legal action would be taken against the borrower.

The Group manages credit risk through review and credit approval and post-transaction monitoring processes which are performed by management. Before granting the loans and entering into the finance lease agreements, the credit risk assessment has been performed. The credit risk assessment procedures include but not limited to:

- (i) We will conduct a background search through the Companies Registry and the internal KYC system, in relation to the shareholding and information of the management of the corporate or individual customers, if necessary. We will conduct a litigation search in relation to the borrower through the independent search agent, if necessary;
- (ii) the Company understands the business operations of the client through including but not limited to the interview, the statutory record provided, the financial information provided;
- (iii) reviewing the corporate documents of the potential client including but not limited to the constitution documents and financial statements;
- (iv) We perform the assessment on our customers including but not limited to monitor the value of collateral and check any default in repayment; and
- (v) in case of security being provided as collateral for the loan, assessing the validity and value of the security.

The Company adopted the procedures on monitoring loan repayment and recovery which involve (a) the Company's subsidiary operating the money lending business is required to submit management accounts to the Company and report on the financial and business performance during meeting bi-annually; (b) it is required to report the repayment status of all loans to the Company bi-annually and report for any material defaulted loans immediately upon occurrence; We will assess the periodic review on loan portfolio by considering the outstanding balance, the total interest and principal paid, the value of collateral and any default in repayment. We will monitor the borrower through the latest financial information provided. In respect of delinquent loans, the standard demand letters will be issued. If no satisfactory response is received, formal legal demand letters will be issued. Thereafter formal legal proceedings may be issued where appropriate.

The Company has complied with requirements set out in chapter 14 and/or 14A of the Listing Rules when it granted the loans to each of the borrower(s), whose loan(s) was still outstanding as at 31 December 2021.

The Company has not had an agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with a connected person with respect to the grant of loans to the borrower(s) whose loan(s) was still outstanding as at 31 December 2021.

Maturity profile of loan receivables

The following table sets forth the distribution of the remaining maturity as at 31 December 2021:

	As at 31 December			
	2021		2020	
	<i>Amount</i>		<i>Amount</i>	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
Within one year	555,146	38.2	208,636	14.9
1 year to 5 years	897,562	61.8	1,145,421	82.0
Over 5 years	–	6.0	43,423	3.1
Total	1,452,708	100.0	1,397,480	100.0

The above supplementary information does not affect the other information contained in the Annual Report. Save as disclosed above, all other information in the Annual Report remains unchanged.

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

Hong Kong, 11 November 2022

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.