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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)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020, together with the comparative figures as follows:

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

*For the year ended 31 December 2020*

	NOTES	2020 HK\$'000	2019 HK\$'000
Revenue	3		
– Goods and services		63,048	97,717
– Interest		145,835	149,875
		<hr/>	<hr/>
Total revenue		208,883	247,592
Cost of inventories and services		(47,052)	(78,918)
		<hr/>	<hr/>
		161,831	168,674
Other income		7,576	9,869
Other gains and losses, net	4	(280)	(40,781)
Impairment loss recognised on financial assets at amortised cost, net	4	(55,505)	(93,940)
Marketing and distribution costs		(3,784)	(12,541)
Administrative expenses		(68,897)	(62,315)
Share of profit of an associate		166	–
Finance costs		(63,846)	(64,337)
		<hr/>	<hr/>

	<i>NOTES</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before taxation		(22,739)	(95,371)
Income tax credit	5	<u>8,756</u>	<u>9,153</u>
Loss for the year	6	<u>(13,983)</u>	<u>(86,218)</u>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Gains on property revaluation		14,450	3,681
Recognition of deferred tax liability arising on property revaluation		<u>(3,009)</u>	<u>(920)</u>
		<u>11,441</u>	<u>2,761</u>
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences arising on translation of foreign operations		<u>8,856</u>	<u>(2,887)</u>
Other comprehensive income/(expense) for the year		<u>20,297</u>	<u>(126)</u>
Total comprehensive income/(expense) for the year		<u><u>6,314</u></u>	<u><u>(86,344)</u></u>
Loss for the year attributable to:			
Owners of the Company		(13,785)	(86,170)
Non-controlling interests		<u>(198)</u>	<u>(48)</u>
		<u><u>(13,983)</u></u>	<u><u>(86,218)</u></u>
Total comprehensive income/(expense) attributable to:			
Owners of the Company		6,512	(86,296)
Non-controlling interests		<u>(198)</u>	<u>(48)</u>
		<u><u>6,314</u></u>	<u><u>(86,344)</u></u>
<b>Loss per share</b>	8		
– Basic		<u><u>(HK0.60 cents)</u></u>	<u><u>(HK3.74 cents)</u></u>
– Diluted		<u><u>(HK0.60 cents)</u></u>	<u><u>(HK3.74 cents)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>NOTES</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		<b>26,527</b>	32,381
Right-of-use assets		<b>17,298</b>	23,471
Investment properties		<b>65,087</b>	56,700
Goodwill		–	1,900
Investment in associates		<b>9,824</b>	167
Financial assets at fair value through profit or loss (“FVTPL”)	<i>10</i>	<b>25,557</b>	10,451
Deposits paid for acquisition of subsidiaries		–	6,700
Deposits paid for formation of an associate		–	9,726
Statutory deposits placed with clearing house		<b>205</b>	205
Deferred tax assets		<b>19,317</b>	16,017
		<b>163,815</b>	157,718
Current assets			
Inventories		<b>13,807</b>	13,721
Trade and other receivables and prepayments	<i>9</i>	<b>200,719</b>	217,467
Finance lease receivables	<i>9</i>	–	6,016
Loan receivables	<i>9</i>	<b>1,397,480</b>	1,298,944
Financial assets at FVTPL	<i>10</i>	<b>79,877</b>	44,166
Tax recoverable		<b>716</b>	–
Bank balances (trust and segregated accounts)		<b>26,536</b>	56,968
Bank balances (general accounts) and cash		<b>230,249</b>	275,372
		<b>1,949,384</b>	1,912,654
Current liabilities			
Trade and other payables and accruals	<i>11</i>	<b>142,823</b>	116,471
Lease liabilities		<b>5,377</b>	5,184
Tax payable		<b>17,554</b>	18,660
Borrowings		<b>36,016</b>	36,001
		<b>201,770</b>	176,316
Net current assets		<b>1,747,614</b>	1,736,338
Total assets less current liabilities		<b>1,911,429</b>	1,894,056

	<b>2020</b>	2019
<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital and reserves		
Share capital	<b>690,968</b>	690,968
Reserves	<b>423,145</b>	416,633
	<hr/>	<hr/>
	<b>1,114,113</b>	1,107,601
Non-controlling interests	<b>384</b>	582
	<hr/>	<hr/>
Total equity	<b>1,114,497</b>	1,108,183
	<hr/>	<hr/>
Non-current liabilities		
Bonds	<b>780,954</b>	767,677
Deferred tax liabilities	<b>15,556</b>	12,547
Lease liabilities	<b>422</b>	5,649
	<hr/>	<hr/>
	<b>796,932</b>	785,873
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	<b>1,911,429</b>	1,894,056
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability. The addresses of the registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and principal place of business of the Company in Hong Kong is at 20/F., Skyway Centre, 23-25 Queen's Road West, Sheung Wan, Hong Kong. Trading in the shares of the Company (the "Shares") 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 the financial statements, the trading of the Shares remains suspended.

### 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

#### (A) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institution of Certificated Public ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The Group has also early adopted Amendment to HKFRS 16 "Covid-19-Related Rent Concessions" that is mandatory for the first time for financial year beginning 1 January 2021 and the impact of the adoption is disclosed below.

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

## (B) NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

		<b>Effective for annual periods beginning on or after</b>
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020	1 January 2022

The Company's directors have performed an assessment on these new standard and amendments to standards, and have concluded on a preliminary basis that the adoption of these new standard and amendments to standards is not expected to have a significant impact on the Group's financial performance and position.

### 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 four operating and reportable segments:

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

## Revenue

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Medical products	43,143	49,812
Plastic toys	15,855	17,705
Garment accessories	–	28,186
Garment accessories sourcing service income	1,052	–
Fee and commission income	2,998	2,014
	<hr/>	<hr/>
Revenue from contracts with customers	63,048	97,717
Interest income from		
– Loan receivables	135,291	134,117
– Margin financing	10,446	15,283
– Finance lease	98	475
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	145,835	149,875
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	208,883	247,592
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## Segment revenue and results

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

	Medical products and plastic toys business <i>HK\$'000</i>	Garments trading and sourcing <i>HK\$'000</i>	Securities brokerage business and asset management services <i>HK\$'000</i>	Money lending business and other financial services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>For the year ended 31 December 2020</b>					
Segment revenue – external	58,998	1,052	12,054	136,779	208,883
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Segment results	(4,571)	(1,457)	(30,330)	112,707	76,349
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Change in fair value of:					
– investment properties					(11,338)
– financial assets at FVTPL					12,015
Property rental income					3,310
Share of profit of an associate					166
Unallocated corporate income					894
Unallocated corporate expenses					(104,135)
					<hr/>
Loss before taxation					(22,739)
					<hr/> <hr/>

	Medical products and plastic toys business <i>HK\$'000</i>	Garments trading and sourcing <i>HK\$'000</i>	Securities brokerage business and asset management services <i>HK\$'000</i>	Money lending business and other financial services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>For the year ended 31 December 2019</b>					
Segment revenue – external	<u>67,517</u>	<u>28,186</u>	<u>15,863</u>	<u>136,026</u>	<u>247,592</u>
Segment results	<u>(11,357)</u>	<u>(25,601)</u>	<u>(38,489)</u>	<u>94,406</u>	18,959
Change in fair value of:					
– investment properties					1,800
– financial assets at FVTPL					(9,163)
Property rental income					3,085
Unallocated corporate income					8,924
Unallocated corporate expenses					<u>(118,976)</u>
Loss before taxation					<u><u>(95,371)</u></u>

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by/loss from each segment without allocation of change in fair value of investment properties and financial assets at FVTPL, property rental income, share of profit of an associate, unallocated corporate income and unallocated corporate expenses. This is the measure reported to the CODM for the purpose of resources allocations and performance assessment.



## Segment assets and liabilities

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

	Medical products and plastic toys business <i>HK\$'000</i>	Garments trading and sourcing <i>HK\$'000</i>	Securities brokerage business and asset management services <i>HK\$'000</i>	Money lending business and other financial services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>As at 31 December 2020</b>					
Segment assets	<u>94,239</u>	<u>11,987</u>	<u>275,668</u>	<u>1,465,521</u>	1,847,415
Investment properties					65,087
Investment in associates					9,824
Financial assets at FVTPL					105,434
Other unallocated assets					<u>85,439</u>
Total assets					<u><u>2,113,199</u></u>
Segment liabilities	<u>50,697</u>	<u>15,360</u>	<u>36,404</u>	<u>13,091</u>	115,552
Bonds					780,954
Other unallocated liabilities					<u>102,196</u>
Total liabilities					<u><u>998,702</u></u>

	Medical products and plastic toys business <i>HK\$'000</i>	Garments trading and sourcing <i>HK\$'000</i>	Securities brokerage business and asset management services <i>HK\$'000</i>	Money lending business and other financial services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>As at 31 December 2019</b>					
Segment assets	<u>100,936</u>	<u>15,847</u>	<u>318,780</u>	<u>1,386,048</u>	1,821,611
Investment properties					56,700
Investment in an associate					167
Deposit paid for forming of an associate					9,726
Deposit paid for acquisition of subsidiaries					6,700
Financial assets at FVTPL					54,617
Other unallocated assets					<u>120,851</u>
Total assets					<u><u>2,070,372</u></u>
Segment liabilities	<u>47,230</u>	<u>16,086</u>	<u>47,394</u>	<u>7,988</u>	118,698
Bonds					767,677
Other unallocated liabilities					<u>75,814</u>
Total liabilities					<u><u>962,189</u></u>

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

- all assets, other than investment properties, investment in associates, deposits paid for acquisition of subsidiaries, deposits paid for formation of an associate and financial assets at FVTPL 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	Garments trading and sourcing HK\$'000	Securities brokerage business and asset management services HK\$'000	Money lending business and other financial services HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>For the year ended</b>						
<b>31 December 2020</b>						
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to property, plant and equipment	422	–	–	–	–	422
Depreciation of property, plant and equipment	3,711	76	278	269	–	4,334
Depreciation of right-of-use assets	394	325	4,701	–	–	5,420
Reversal of allowance for inventories	(1,060)	–	–	–	–	(1,060)
Impairment loss (reversed)/ recognised on financial assets at amortised cost, net	(1,194)	(2,968)	17,897	19,511	22,259	55,505
Impairment loss on goodwill	–	–	–	1,900	–	1,900
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>For the year ended</b>						
<b>31 December 2019</b>						
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to property, plant and equipment	150	–	–	–	–	150
Depreciation of property, plant and equipment	3,696	38	476	278	–	4,488
Depreciation of right-of-use assets	399	–	3,918	–	–	4,317
Provision of allowance for inventories	1,614	–	–	–	–	1,614
Impairment loss recognised/ (reversed) on financial assets at amortised cost, net	840	(2,579)	34,709	45,701	15,269	93,940
Impairment loss on goodwill	–	30,000	–	3,415	–	33,415
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## Geographical information

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

Information about the Group's revenue from external customers is presented based on the locations of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	<b>149,787</b>	179,051	<b>51,940</b>	70,668
Europe*	<b>35,278</b>	39,892	–	–
The United States of America	<b>6,506</b>	8,446	–	–
The PRC (excluding Hong Kong)	<b>5,729</b>	8,724	<b>56,972</b>	43,766
Australia	<b>1,105</b>	1,723	–	–
South America	<b>56</b>	296	–	–
Others*	<b>10,422</b>	9,460	–	18
	<b>208,883</b>	247,592	<b>108,912</b>	114,452

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

*Note:* Non-current assets excluded investment in associates, financial assets at FVTPL, deposits paid for acquisition of subsidiaries, deposits paid for formation of an associate, statutory deposits placed with clearing house and deferred tax assets.

## Information about major customers

The Group's revenue from external customers is mainly derived from the PRC and Hong Kong. For the years ended 31 December 2020 and 2019, there was no single customer which amounted for more than 10% of total revenue.

**4. OTHER GAINS AND LOSSES, NET/IMPAIRMENT LOSS RECOGNISED ON FINANCIAL ASSETS AT AMORTISED COST, NET**

**(a) Other gains and losses, net**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fair value changes of:		
– investment properties	(11,338)	1,800
– financial assets at FVTPL	12,015	(9,163)
Impairment loss on goodwill	(1,900)	(33,415)
Loss on disposal of property, plant and equipment	(8)	(3)
Gains on derecognition of financial assets	951	–
	<u>(280)</u>	<u>(40,781)</u>

**(b) Impairment loss recognised on financial assets at amortised cost, net**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Impairment loss reversed/(recognised) on trade receivables arising from:		
– medical products and plastic toys business and trading of garments	4,162	1,739
– securities brokerage business	(17,897)	(34,706)
Impairment loss recognised on finance lease receivables	(2,766)	(3,729)
Impairment loss recognised on loan receivables	(16,745)	(41,971)
Impairment loss recognised on other receivables	(22,259)	(15,273)
	<u>(55,505)</u>	<u>(93,940)</u>

## 5. INCOME TAX CREDIT

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	–	60
The PRC Enterprise Income Tax (“EIT”)	<u>533</u>	<u>721</u>
	<u>533</u>	<u>781</u>
Over-provision in prior years:		
Hong Kong Profits Tax	<u>(5,989)</u>	<u>(1,397)</u>
	<u>(5,456)</u>	<u>(616)</u>
Deferred taxation:		
Current year	<u>(3,300)</u>	<u>(8,537)</u>
	<u><u>(8,756)</u></u>	<u><u>(9,153)</u></u>

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

Accordingly, 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year has been arrived at after charging/(crediting):		
Salaries, allowances and bonuses, including those of directors	27,297	32,740
Contributions to retirement benefit schemes, including those of directors	<u>634</u>	<u>1,240</u>
Total employee benefits expense, including those of directors	<u>27,931</u>	<u>33,980</u>
Auditor's remuneration	710	1,080
Cost of inventories recognised as an expense	47,028	78,889
Depreciation of property, plant and equipment	4,334	4,488
Depreciation of right-of-use assets	5,420	4,317
(Reversal)/provision of allowance for inventories	<u>(1,060)</u>	<u>1,614</u>

## 7. DIVIDENDS

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2020 (2019: 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company, for the purpose of basic and diluted loss per share	<u>(13,785)</u>	<u>(86,170)</u>
	<b>Number of shares</b>	<b>Number of shares</b>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>2,303,224,137</u>	<u>2,303,224,137</u>

The computation of diluted loss per share for the years ended 31 December 2020 and 2019 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/FINANCIAL LEASE RECEIVABLES/ LOAN RECEIVABLES**

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

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	<b>6,034</b>	7,138
31 to 90 days	<b>3,883</b>	4,969
Over 90 days	<b>12,160</b>	3,320
	<u><b>22,077</b></u>	<u>15,427</u>

- (b) The normal settlement terms of trade receivables from cash clients and securities clearing house are two days after trade date.
- (c) In respect of trade receivables from cash clients, all of them are aged within 30 days (from settlement date) at the end of reporting period. Margin loan receivables from margin clients are repayable on demand subsequent to settlement date. No ageing analysis is disclosed, as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business of securities margin financing.
- (d) As at 31 December 2020, included in the Group's loan receivables balance are debtors with aggregate carrying amount of HK\$18,257,000 which are past due as at the reporting date, of which HK\$18,157,000 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 unless the directors have reasonable and supportable information to determine otherwise.
- (e) The finance lease receivables with gross balances of HK\$8,066,000 is aged within 1 year.



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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Financial assets mandatorily at FVTPL:		
Listed securities held for trading:		
– Equity securities listed in Hong Kong	63,047	38,166
– Debt securities traded in Hong Kong	–	6,000
	<u>63,047</u>	<u>44,166</u>
Unlisted equity fund	25,557	10,451
Unlisted debt securities	16,830	–
	<u>105,434</u>	<u>54,617</u>
Analysed for reporting purpose as:		
Current assets	79,877	44,166
Non-current assets	25,557	10,451
	<u>105,434</u>	<u>54,617</u>

The Group has recorded a gain on fair value changes of financial assets at FVTPL for the year ended 31 December 2020 of approximately HK\$12.0 million (2019: a loss of approximately HK\$9.2 million).

## 11. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	7,617	13,258
31 to 90 days	1,442	3,211
Over 90 days	12,696	5,691
	<u>21,755</u>	<u>22,160</u>

## **BUSINESS REVIEW**

Lerado Financial Group Company Limited (the “Company”, together with its subsidiaries, the “Group”) 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 11.6% for the year ended 31 December 2020 to HK\$35.3 million, representing 59.8% of the total revenue from medical products and plastic toys business. Revenue from US customers decreased by 23.0% for the year ended 31 December 2020 to HK\$6.5 million, accounting for 11.0% of the total revenue from medical and plastic toys business. Revenue from the PRC customers decreased by 26.9% for the year ended 31 December 2020 to HK\$5.6 million, accounting for 9.5% 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 2020 was HK\$43.1 million, representing a decrease of 13.4% over last year and accounted for 73.1% of the total revenue from medical products and plastic toys business. Sales revenue from plastic toys slightly decreased by 10.5% for the year ended 31 December 2020 to HK\$15.9 million. The overall decrease in the revenue for medical products and plastic toys business was due to the outbreak of COVID-19 and the overall economic downturn in 2020.

### **Securities Brokerage, Margin Financing, Underwriting and Placements and Assets Management Business**

Black Marble Securities Limited, a wholly-owned subsidiary of the Company (“Black Marble Securities”) has generated HK\$12.1 million revenue for the year ended 31 December 2020 (2019: HK\$15.9 million), representing 5.8% of the total revenue of the Group. It was mainly contributed by the interest income generated from the margin client of HK\$10.4 million for the year ended 31 December 2020 (2019: HK\$15.3 million).

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 2020 due to the weak market condition and the decline of investor enthusiasm.

## **Money Lending and Finance Leasing**

For the year ended 31 December 2020, 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 approximately HK\$135.4 million interest income for the year and has increased approximately HK\$0.8 million as compared to last year, representing approximately 64.8% of the total revenue of the Group. Directors are of the view that such business will keep contribute the income stream of the Group and is one of the main sources of income for the Group.

## **Sales of Garment Accessories and Sourcing Service income**

The sales of garment accessories and sourcing service income had generated approximately HK\$1.1 million revenue for the year ended 31 December 2020 (2019: HK\$28.2 million) and representing approximately 0.5% of the total revenue of the Group. The decrease was mainly due to the outbreak of COVID-19 which seriously affected the revenue generated from the PRC. Also, the change of business strategic has resulted the decrease of revenue for the year ended 31 December 2020.

## **PROSPECTS**

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

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

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

## **FINANCIAL REVIEW**

Consolidated revenue of the Group for the year ended 31 December 2020 was approximately HK\$208.9 million (2019: HK\$247.6 million), representing a decrease of approximately 15.6% over last year. The decrease in the consolidated revenue was mainly due to the decrease of medical products and plastic toys business and garments business, of which the decrement was HK\$35.7 million.

Gross profit margin of the Group for the year was approximately 77.5%, representing an increase of approximately 9.4 percentage points as compared to the gross profit margin of approximately 68.1% in the last year. Loss of the Group for the year ended 31 December 2020 was approximately HK\$14.0 million (2019: HK\$86.2 million) and loss for the year attributable to owners of the Company was approximately HK\$13.8 million (2019: HK\$86.2 million). The increase was mainly due to the decrease of impairment loss of net of reversal of approximately HK\$38.4 million and impairment loss on goodwill of approximately HK\$31.5 million for the year ended 31 December 2020 as compared with last year.

## **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 2020 decreased by approximately HK\$45.2 million to approximately HK\$230.2 million as compared to approximately HK\$275.4 million as at 31 December 2019. The Group has bank borrowings of approximately HK\$3.0 million (2019: HK\$3.2 million), bank overdrafts of approximately HK\$5.0 million (2019: HK\$4.8 million), term loan of approximately HK\$28.0 million (2019: HK\$28.0 million) and bond payable of approximately HK\$781.0 million (2019: HK\$767.7 million) as at 31 December 2020. As at 31 December 2020, the Group had net current assets of approximately HK\$1,747.6 million (31 December 2019: HK\$1,736.3 million) and a current ratio of approximately 9.7 (31 December 2019: 10.8). 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 2020 were 78 days (31 December 2019: 73 days) and 108 days (31 December 2019: 66 days) respectively. The Group's gearing ratio as at 31 December 2020 was approximately 73.3% (2019: 72.5%). The gearing ratio was computed by the total borrowings and bonds payable over the equity of the Group.

## **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 2020, there were no significant investments held by the Group. Details of the held-for-trading investments held by the Group and the fair value changes of the held-for-trading investments for the year are set out in note 10 to the financial statements for the year ended 31 December 2020 of this announcement.

## **PLEDGE OF ASSETS**

The bank borrowings of the Group were secured by personal guarantee and properties provided by a director of a subsidiary who is not a director of the Company, and guarantee provided by The Government of the Hong Kong Special Administrative Region under the Small and Medium Enterprise Loan Guarantee Scheme and charges over the Group's investment properties of approximately HK\$7.0 million (2019: HK\$7.5 million). The term loan of approximately HK\$28.0 million (2019: HK\$28.0 million) was secured by the Group's investment properties of approximately HK\$38.6 million (2019: HK\$49.2 million) as at 31 December 2020.

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

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

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

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

## **EXCHANGE RISK EXPOSURE**

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

## **EQUITY PRICE RISK EXPOSURE**

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

## **CONTINGENT LIABILITY**

As at 31 December 2020, the Company did not have any significant contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2020, the Group employed a total workforce of around 210 staff members, of which about 180 worked in the PRC and the remaining in Hong Kong. Apart from basic salaries, discretionary bonus and contribution to retirement benefits schemes, share options may also be granted to staff with reference to the individual's performance. Moreover, the Group also provides internal and external training to its staff to enable them to achieve self-improvement and to enhance their job related skills.

## **DIVIDENDS**

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2020 (2019: nil).

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

During the year ended 31 December 2020, 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 2020, none of the Directors, supervisor or the chief executive of the Company had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") which shall be recorded and maintained in the register pursuant to section 352 of the SFO, or which shall be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, 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	9.42%
Opus Platinum Growth Fund	Beneficial owner	180,000,000	7.82%
Mr. Lai Shu Fun, Francis Alvin (Note 1)	Interest in Controlled Corporation	<u>180,000,000</u>	<u>7.82%</u>

Note:

- (1) Mr. Lai Shu Fun, Francis Alvin is indirectly interested in approximately 40.03% of the total issued share capital of Opus Platinum Growth Fund. Therefore Mr. Lai Shu Fun, Francis Alvin is deemed to be interested in the 180,000,000 shares held by 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 2020.

## **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 2020, save for the deviations as stated below: Under the Code provision A.2.1 of the Code, the rules of the chairman and the chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive of the Company should be clearly established and set out in writing. Throughout the year ended 31 December 2020, 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 of the Company, 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, discussed auditing, internal control and financial reporting matters and reviewed the Group’s audited financial statements for the year ended 31 December 2020.

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. All the Directors have confirmed that, following specific enquiry by the Company, they fully complied with the required standard as set out in the Model Code throughout the year ended 31 December 2020.

## **PUBLICATION OF ANNUAL REPORT**

The Company’s annual report for the year ended 31 December 2020 containing all the relevant information required by the Listing Rules and other applicable laws will be published in due course on the website of The Hong Kong Exchange and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.lerado.com](http://www.lerado.com), and will be despatched to the Shareholders in due course.



## SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended at the direction of the Securities and Futures Commission since 6 June 2017 and remains suspended until further notice. Details refer to the announcements of the Company dated 5 June 2017, 6 June 2017, 7 June 2017, 9 August 2017, 31 July 2018, 7 November 2018, 31 January 2019, 12 March 2019, 30 April 2019, 1 August 2019, 1 November 2019, 13 February 2020, 29 April 2020, 4 May 2020, 31 July 2020, 30 October 2020 and 25 January 2021.

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

Hong Kong, 31 March 2021

*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.*