



Lerado Financial Group Company Limited

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



INTERIM REPORT
2020

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Lerado Financial Group Company Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2020, along with the comparative figures and selected explanatory notes, which are prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and have been reviewed by the audit committee of the Company (the “Audit Committee”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
	<i>Notes</i>	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue		108,150	125,766
Gross proceeds from sale of financial assets at fair value through profit or loss (“FVTPL”)		783	6,855
		108,933	132,621
Revenue	3	108,150	125,766
Cost of inventories and services		(28,868)	(40,536)
		79,282	85,230
Other income		3,305	2,926
Other gains and losses		(13,137)	(22,427)
Marketing and distribution costs		(1,494)	(2,776)
Administrative expenses		(38,118)	(33,238)
Share of loss of an associate		(19)	–
Finance cost		(31,943)	(32,368)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Continued)

For the six months ended 30 June 2020

		Six months ended 30 June	
	<i>Notes</i>	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Loss before taxation		(2,124)	(2,653)
Income tax expense	4	(3,841)	(795)
Loss for the period	5	(5,965)	(3,448)
Other comprehensive expense			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising from translation		(2,596)	(596)
Other comprehensive expense for the period		(2,596)	(596)
Total comprehensive expense for the period		(8,561)	(4,044)
Loss for the period attributable to:			
– Owners of the Company		(5,712)	(3,376)
– Non-controlling interests		(253)	(72)
		(5,965)	(3,448)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Continued)

For the six months ended 30 June 2020

		Six months ended 30 June	
	Notes	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Total comprehensive expense for the period attributable to:			
– Owners of the Company		(8,308)	(3,972)
– Non-controlling interests		(253)	(72)
		(8,561)	(4,044)
		HK cents	HK cents
Loss per share	7		
– basic		(0.25)	(0.15)
– diluted		(0.25)	(0.15)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		30,489	32,381
Right-of-use assets		20,523	23,471
Investment properties		56,700	56,700
Goodwill		1,900	1,900
Investment in an associate		8,885	167
Equity instruments at FVTPL	9	15,557	10,451
Deposit paid for acquisition of subsidiaries		6,700	6,700
Deposit paid for forming of an associate		–	9,726
Statutory deposits placed with clearing house		155	205
Deferred tax assets		17,636	16,017
		158,545	157,718
Current assets			
Inventories		12,608	13,721
Trade and other receivables and prepayments	8	221,100	217,467
Finance lease receivables	8	3,366	6,016
Loans receivables	8	1,350,490	1,298,944
Financial assets at FVTPL	9	41,696	44,166
Bank balances – trust and segregated accounts		74,147	56,968
Bank balances (general accounts) and cash		232,038	275,372
		1,935,445	1,912,654

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2020

	Notes	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Current liabilities			
Trade and other payables and accruals	10	137,447	116,471
Lease liabilities		4,234	5,184
Taxation payable		28,157	18,660
Borrowings	11	36,111	36,001
		205,949	176,316
Net current assets		1,729,496	1,736,338
Total assets less current liabilities		1,888,041	1,894,056
Capital and reserves			
Share capital	12	690,968	690,968
Reserves		408,325	416,633
		1,099,293	1,107,601
Non-controlling interests		329	582
Total equity		1,099,622	1,108,183
Non-current liabilities			
Bond	11	772,816	767,677
Deferred tax liabilities		12,547	12,547
Lease liabilities		3,056	5,649
		788,419	785,873
Total equity and non-current liabilities		1,888,041	1,894,056

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
At 1 January 2020 (audited)	690,968	352,753	38,510	27,801	(311)	1,270	(3,390)	1,107,601	582	1,108,183
(Loss) profit for the period	-	-	-	-	-	-	(5,712)	(5,712)	(253)	(5,965)
Exchange differences arising from translation	-	-	-	-	(2,596)	-	-	(2,596)	-	(2,596)
Total comprehensive income for the period	-	-	-	-	(2,596)	-	(5,712)	(8,308)	(253)	(8,561)
At 30 June 2020 (unaudited)	690,968	352,753	38,510	27,801	(2,907)	1,270	(9,102)	(1,099,293)	(329)	(1,099,622)

For the six months ended 30 June 2019

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Net cash from/(used) in operating activities	(34,605)	30,652
Net cash used in investing activities	(3,715)	(1,881)
Net cash used in financing activities	(4,202)	(17,127)
Net increase/(decrease) in cash and cash equivalents	(42,522)	11,644
Cash and cash equivalents at 1 January	270,571	314,340
Effect of foreign exchange rate changes	(1,022)	(666)
Cash and cash equivalents at 30 June, represented by		
Bank balances and cash	232,038	330,324
Bank overdrafts	(5,011)	(5,006)
	227,027	325,318

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of unaudited condensed consolidated financial statements for the six months ended 30 June 2020 are consistent with those adopted in the preparation of 2019 annual report of the Company dated 29 April 2020 (the “Annual Report”) except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the “New and Revised HKFRSs”) (which include add HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA that are adopted for the first time for the current periods financial statements.

In preparing these condensed consolidated interim financial information, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2019 annual financial statements.

The HKICPA has issued a number of new or amendments to HKFRSs that are first effective for the current accounting period of the Group:

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

The adoption of these new or amendments to HKFRSs does not have any significant financial effect on the Group's condensed consolidated interim financial information.

The Group has not adopted new or amendments to HKFRSs that have been issued but are not yet effective in advance. The Directors anticipate that the adoption of these new or amendments to HKFRSs will have no material impact on the results and financial position of the Group.

The unaudited condensed consolidated financial statements have not been audited by the Company's auditors, but have been reviewed by the Audit Committee.

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 and assets 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

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Medical products	18,225	26,931
Plastic toys	4,183	7,319
Sales of garment accessories	11,798	14,536
Fee and commission income	8,737	8,708
Revenue from contracts with customers	42,943	57,494
Interest income from loan receivables and finance lease receivables	65,207	68,272
	108,150	125,766

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 and assets management services HK\$'000	Money lending business and other financial services HK\$'000	Consolidated HK\$'000
For the six months ended 30 June 2020					
Segment revenue – external	22,408	11,798	8,055	65,889	108,150
Segment results	(5,876)	(1,600)	(17,335)	62,927	38,116
Change in fair value of: – financial asset at FVTPL					(3,152)
Realised loss of financial asset at FVTPL					(169)
Property rental income					1,592
Unallocated corporate income					960
Unallocated corporate expenses					(39,471)
Loss before taxation					(2,124)

	Medical products and plastic toys business HK\$'000	Trading of garments HK\$'000	Securities brokerage business and assets management services HK\$'000	Money lending business and other financial services HK\$'000	Consolidated HK\$'000
For the six months ended 30 June 2019					
Segment revenue – external	34,250	14,536	7,926	69,054	125,766
Segment results	(7,041)	(98)	(5,255)	48,056	35,662
Change in fair value of: – financial asset at FVTPL					(825)
Realised gain of financial asset at FVTPL					87
Property rental income					1,584
Unallocated corporate income					829
Unallocated corporate expenses					(39,990)
Loss before taxation					(2,653)

4. INCOME TAX EXPENSES

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Current tax:		
Hong Kong	10,803	4,173
The People's Republic of China (the "PRC") Enterprise Income Tax	197	84
	11,000	4,257
Over provision in prior years	(5,540)	–
Hong Kong Profit Tax	5,460	4,257
Deferred tax:		
Current period	(1,619)	(3,462)
Income tax expense	3,841	795

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.

5. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	2,121	2,251
Amortisation of prepaid lease payments	–	203
(Gain)/loss on disposal of property, plant and equipment	(19)	3
Depreciation of right-of-use assets	2,706	–
Fair value change of financial asset at FVTPL	3,327	738
Impairment loss, net of reversal on trade and other receivable	8,456	2,032
Impairment loss, net of reversal on loan receivable	1,358	19,630
Impairment loss, net of reversal on finance lease receivable	–	26
Allowance for inventories	62	1,682
Bank interest income	(69)	(73)
Finance cost		
– Bank overdrafts and loans	1,627	1,318
– Bond	30,044	31,050
– Lease liabilities	272	–
Property rental income net of negligible outgoing expenses	(1,592)	(1,584)

6. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: nil).

7. LOSS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company, for the purpose of basic and diluted loss per share	(5,712)	(3,376)
<hr/>		
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of diluted loss per share	2,303,224,137	2,303,224,137

The computation of diluted loss per share for the six months ended 30 June 2020 and 2019 does not assume the exercise of the Company's options as the exercise would result in a decrease in loss per share.

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

Trade and other receivables and prepayments

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Trade receivable arising from:		
Medical products and plastic toys business and trading of garments (<i>Note a</i>)	34,073	29,420
Less: allowance for doubtful debts	(14,070)	(13,993)
	20,003	15,427
Trade receivables arising from securities brokerage business (<i>Note b</i>):		
– Cash clients	–	515
– Margin clients	196,817	193,338
– Clearing house	–	46
Less: allowance for doubtful debts	(72,923)	(68,637)
	123,894	125,062
Total trade receivables	143,897	140,689
Purchase deposits, other receivables and deposit	75,280	74,136
Prepayments	1,923	2,642
Total trade and other receivables and prepayments	221,100	217,467

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Within 30 days	3,194	7,138
31 to 90 days	3,386	4,969
Over 90 days	13,423	3,320
	20,003	15,427

- (b) The normal settlement terms of trade receivable from cash clients and securities clearing house are two days after trade date.
- (c) In respect of trade receivables from cash clients, all of them are aged within 30 days (from settlement date) at the end of the reporting period. Margin loan receivables from margin clients are repayable on demand subsequent to settlement date. No ageing analysis is disclosed, as in the opinion of the Directors, the ageing analysis does not give additional value in view of the nature of business of securities margin financing.

Loans Receivables

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Loans receivables	1,215,483	1,202,356
Interest receivables	198,722	163,283
	1,414,205	1,365,639
Factoring loan receivables	20,298	15,960
	1,434,503	1,381,599
Loss allowance for ECL	(84,013)	(82,655)
	1,350,490	1,298,944

As at 30 June 2020, approximately 21% of the loan receivables from the money lending and other financial services business were secured by pledged assets or personal guarantee. The total amounts of the loans receivables are repayable on demand or within one year from the end of the reporting period. Interest rate on the fixed rate loans receivables as at 30 June 2020 was ranged from 6% to 18% per annum (2019: from 6% to 12% per annum).

In determining the impairment of loans receivables from money lending business, the management considers the settlements subsequent to maturity of the relevant loans receivables and the estimated recoverable amount of the corresponding pledged assets of each borrower less cost to sell.

For the factoring loan receivables, the credit period granted to each of the customers is generally within one year. The effective interest rate of the above factoring loan receivables is ranging from 10% to 15% per-annum as at 30 June 2020.

Finance lease receivables

In respect of finance lease receivables from debtors of which approximately HK\$3,366,000 (2019: HK\$6,016,000) is aged within 1 year.

9. FINANCIAL ASSET AND EQUITY INSTRUMENTS AT FVTPL

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Financial assets mandatorily at FVTPL:		
Listed securities held for trading:		
– Equity securities listed in Hong Kong	35,696	38,166
– Debt securities traded in Hong Kong	6,000	6,000
	41,696	44,166
Unlisted equity fund	15,557	10,451
	57,253	54,617
Analysed for reporting purpose as:		
Current assets	41,696	44,166
Non-current assets	15,557	10,451
	57,253	54,617

The Group has recorded a loss on fair value changes of held-for-trading investments for the six months ended 30 June 2020 of approximately HK\$3.3 million (2019: HK\$0.7 million).

The fair value of measurement of the Group's listed securities held-for-trading investments were categorised into Level 1 and fair value have been determined by reference to the quoted market bid prices available on the relevant exchanges. The fair value of measurement of the Group's unlisted equity fund were categorised into Level 3 and fair value have been determined by reference to the adjusted net asset value.

10. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Trade payables arising from medical products and plastic toys business and trading of garments	17,087	22,160
Trade payables arising from securities brokerage business		
– Cash clients	7,754	10,127
– Margin clients	40,014	19,652
– Clearing house	–	525
Total trade payables	64,855	52,464
Accrued expenses	11,829	12,477
Other payables	60,763	51,530
	137,447	116,471

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Within 30 days	6,890	13,258
31 to 90 days	1,580	3,211
Over 90 days	8,617	5,691
	17,087	22,160

11. BORROWINGS/BOND

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Bank overdrafts	5,011	4,801
Bank loans	3,100	3,200
Term loan	28,000	28,000
	36,111	36,001
Bond	772,816	767,677
	808,927	803,678
Less: Amounts due within one year shown under current liabilities	36,111	36,001
Amounts shown under non-current liabilities	772,816	767,677
Analysed as:		
Secured	36,111	36,001
Unsecured	772,816	767,677
	808,927	803,678

As at 30 June 2020, the Group's bonds with an aggregate principal amount of HK\$830,200,000 is unsecured with maturity date falling on the eighth anniversary of the issue date. The interest rate of the bonds are fixed at 6% and the interest is paid annually.

As at 30 June 2020, the Group had aggregate outstanding borrowings comprising (i) bank borrowings of HK\$1,410,000 (31 December 2019: HK\$1,483,000) and bank overdrafts of HK\$2,012,000 (31 December 2019: HK\$1,809,000) secured by a property of the Group and guaranteed by a director of a subsidiary of the Group, (ii) bank borrowing of HK\$1,690,000 (31 December 2019: HK\$1,716,000) and bank overdrafts of HK\$2,999,000 (31 December 2019: HK\$2,992,000) secured by properties owned by and guaranteed by a director of a subsidiary of the Group, and (iii) term loan of HK\$28,000,000 (2019: HK\$28,000,000) secured by the investment properties of the Group.

The Group's bank loans were at variable-rate interest ranged from Hong Kong Prime rate plus 1% (31 December 2019: 1%) per annum. The Group's term loans is at fixed-rated interest at 13.00% (2019: 13.00%) per annum.

12. SHARE CAPITAL

	Par value per share HK\$	Number of ordinary shares	Amount HK\$'000
Authorised:			
At 1 January 2019, 30 June 2019, 31 December 2019 and 30 June 2020	0.5	10,000,000,000	5,000,000
Issued and partially paid:			
At 1 January 2019, 30 June 2019, 31 December 2019 and 30 June 2020		2,303,224,137	690,968

13. RELATED PARTY DISCLOSURES

During the six months ended 30 June 2020, the Group had transactions with a related party. The transactions during the current interim period are as follows:

(a) Transactions with a related party:

Interested party	Nature of transaction	Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
Mr. Lai Kin Chung, Kenneth (Note i)	Interest income from a director	-	5

Note:

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

(b) Compensation of key management personnel

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Short-term employee benefits	1,947	1,547

The remuneration of Directors was decided by the Board, which is reviewed by the remuneration committee of the Company, having regard to the performance of the individuals and market trends.

14. COMMITMENTS

As at the end of the six months ended 30 June 2020, the Group had the following commitment:

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

	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
Capital expenditure in respect of the formation of an investment	-	414,476

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company. The Group is principally engaged in providing financial services including securities broking, margin financing and money lending etc., as well as manufacturing and distributing children plastic toys and medical care products like mobility aid and other medical equipment.

Medical Products and Plastic Toys Business

For the medical products and plastic toy business, Europe represented the largest export market of this segment. Sales revenue from European customers decreased by 22.0% for the six months ended 30 June 2020 to HK\$16.1 million, representing 71.7% of the total revenue from medical products and plastic toys business. Revenue from US customers decreased by 63.3% for the six months ended 30 June 2020 to HK\$2.1 million, accounting for 9.2% of the total revenue from medical and plastic toys business. Revenue from the PRC customers decreased by 37.2% for the six months ended 30 June 2020 to HK\$1.8 million, accounting for 7.9% of the total revenue from medical and plastic toys business.

In terms of products, sales revenue from medical products for the six months ended 30 June 2020 was HK\$18.2 million, representing a decrease of 32.3% over last period and accounted for 81.3% of the total revenue from medical products and plastic toys business. Sales revenue from plastic toys decreased by 42.8% for the six months ended 30 June 2020 to HK\$4.2 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 the first half of 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”) had generated approximately HK\$8.1 million revenue for the six months ended 30 June 2020 and had increased approximately 2.5% over the same period of last year, representing approximately 7.5% of the total revenue of the Group.

The Group wishes to provide a full range of financing services to its clients other than only securities brokerage, underwriting and placements services and money lending business. The Group has started to develop assets management business and wishes to launch different type of fund to attract new investors for scaling up the portfolio size and the Group will receive management fees and incentive fees based on the amount of assets under management, and returns of portfolios, respectively. However, the assets management business had not yet generated any revenue during the six months ended 30 June 2020 due to the weak market condition.

Money Lending and Finance Leasing

For the six months ended 30 June 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 had generated approximately HK\$65.2 million interest income for the six months ended 30 June 2020, decreased approximately HK\$3.1 million as compared to the same period of last year, representing approximately 60.3% of the total revenue of the Group. The Directors are of the view that such business will keep contributing an income stream to the Group.

Sales of Garment Accessories

The sales of garment accessories had generated approximately HK\$11.8 million revenue for the six months ended 30 June 2020 which indicated an decrease of approximately HK\$2.7 million as compared to the same period of last year and representing approximately 10.9% 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 six months ended 30 June 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 Sino-US trade relationship and the outbreak of coronavirus (COVID-19) are 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 the 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 Xinhukang 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") under the current market condition and the environment in the PRC.

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 of the Company and create the greatest possible value for all the shareholders of the Company.

FINANCIAL REVIEW

Consolidated revenue for the six months ended 30 June 2020 was approximately HK\$108.2 million (2019: HK\$125.8 million), representing an decrease of approximately 14.0% over the corresponding period last year. The decrease in the consolidated revenue was mainly due to the decrease of medical products and plastic toys business and sales of garment accessories business, of which the decrement was approximately HK\$14.6 million.

Gross profit margin for the six months ended 30 June 2020 was approximately 73.3%, representing an increase of approximately 5.5% as compared to the gross profit margin of 67.8% in the same period of last year. It was mainly because the revenue generated from securities brokerage business and the money lending business and other financial services shared a higher gross profit ratio than the medical products and plastic toys businesses and sales of garment accessories business.

Loss for the six months ended 30 June 2020 was approximately HK\$6.0 million (2019: HK\$3.4 million) and loss for the period attributable to owners of the Company was approximately HK\$5.7 million (2019: HK\$3.4 million). The decrease was mainly attributable to the decrease in the gross profit of approximately HK\$6.0 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a conservative policy in its financial management and maintains a solid financial position. Cash and cash equivalents of the Group as at 30 June 2020 decreased by approximately HK\$43.4 million to approximately HK\$232.0 million as compared to approximately HK\$275.4 million as at 31 December 2019. As at 30 June 2020, the Group had bank borrowings of approximately HK\$3.1 million (2019: HK\$3.2 million), bank overdrafts of HK\$5.0 million (2019: HK\$4.8 million), short term loan of HK\$28.0 million (2019: HK\$28.0 million) and bond payable of approximately HK\$772.8 million (2019: HK\$767.7 million). As at 30 June 2020, the Group had net current assets of approximately HK\$1,729.5 million (2019: HK\$1,736.3 million) and a current ratio of approximately 9.4 (2019: 10.9). Average trade receivable turnovers and average inventory turnovers for the medical products and plastic toys business and trading of garments for the six months ended 30 June 2020 were 83 days (2019: 73 days) and 83 days (2019: 66 days) respectively. The Group's gearing ratio as at 30 June 2020 was approximately 73.6% (2019: 72.5%).

SIGNIFICANT INVESTMENTS

Since there were no held-for-trading investments and other investments held by the Group valued more than 5% of the total assets of the Group as at 30 June 2020, there were no significant investments held by the Group as at 30 June 2020. Details of the held-for-trading investments held by the Group and the fair value changes of the held-for-trading investments for the six months ended 30 June 2020 are set out in note 9 to this report.

PLEDGE OF ASSETS

The bank borrowings were secured by personal guarantee and properties provided by a director of a subsidiary of the Company 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\$7.5 million as at 30 June 2020 (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\$49.2 million (2019: HK\$49.2 million) as at 30 June 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 XinhuaKang 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 in the PRC, after the assessment by 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 Group.

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 because a certain extent of business of the Group is in the PRC. Although the Group currently does not maintain any hedging policy to hedge against foreign exchange exposure that may arise from the above transactions, the management team continuously assesses the foreign currency exposure, with an aim to minimize the impact of foreign exchange fluctuation on the Group's business operations.

EQUITY PRICE RISK EXPOSURE

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

CONTINGENT LIABILITY

As at 30 June 2020, the Company did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group employed a total workforce of 220 staff members (2019: 230), of which 170 worked in the PRC and the remaining in Hong Kong.

Apart from basic salaries, discretionary bonus and contribution to retirement benefits schemes, share options may also be granted to staff with reference to the individual's performance. Moreover, the Group also provides internal and external training to its staff to enable them to achieve self-improvement and to enhance their job related skills.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: nil).

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 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	9.40%
Mr. Lai Shu Fun, Francis Alvin (Note 1)	Beneficial owner	180,000,000	7.82%

Note:

- (1) Mr. Lai Shu Fun, Francis Alvin owns shares through his wholly owned Opus Platinum Growth Fund.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 30 June 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 six months ended 30 June 2020, save for the deviations as stated below:

Under the Code provision A.2.1 of the Code, the roles of the chairman and the chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive of the Company should be clearly established and set out in writing.

Throughout the six months ended 30 June 2020, the Company did not have chairman of the Board and chief executive. The Board has been looking for suitable candidates to fill the vacancies.

AUDIT COMMITTEE

The Audit Committee, comprising the three independent non-executive Directors, namely Mr. Yu Tat Chi Michael, Mr. Yang Haihui and Mr. Lam Williamson, has reviewed the accounting principles and practices adopted by the Company and has discussed auditing, internal control and financial reporting matters. The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2020.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code for securities transactions by the Directors on terms equivalent to the required standard of the Model Code. All Directors have confirmed, that following specific enquiry made by the Company, they fully complied with the required standard as set out in the Model Code for the six months ended 30 June 2020.

SUSPENSION OF TRADING

Trading in the shares of the Company on the SEHK has been suspended at the direction of the Securities and Futures Commission since 6 June 2017 and remains suspended until further notice. Details refer to the announcements of the Company dated 5 June 2017, 6 June 2017, 7 June 2017, 9 August 2017, 31 July 2018, 7 November 2018, 31 January 2019, 12 March 2019, 30 April 2019, 17 June 2019 and 1 August 2019, 1 November 2019, 13 February 2020, 4 May 2020 and 31 July 2020.

On behalf of the Board
Lerado Financial Group Company Limited
Ho Kuan Lai
Executive Director

Hong Kong, 31 August 2020

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