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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 2021

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 2021, together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000 (Re-presented)
Continuing operations			
Revenue	3		
– Goods and services		84,266	61,996
– Interest		131,021	145,835
		<hr/>	<hr/>
Total revenue		215,287	207,831
Cost of inventories and services		(67,611)	(47,052)
		<hr/>	<hr/>
		147,676	160,779
Other income		2,848	6,904
Other gains and losses, net	4	6,619	220
Impairment loss recognised on financial assets at amortised cost, net	4	(96,798)	(58,473)
Marketing and distribution costs		(5,127)	(3,784)
Administrative expenses		(56,971)	(63,172)
Share of results of an associate		565	166
Finance costs		(61,706)	(63,666)
		<hr/>	<hr/>
Loss before taxation		(62,894)	(21,026)
Income tax (expense)/credit	5	(44)	8,756
		<hr/>	<hr/>

	<i>NOTE</i>	2021 HK\$'000	2020 <i>HK\$'000</i> (Re-presented)
Loss for the year from continuing operations		<u>(62,938)</u>	<u>(12,270)</u>
Discontinued operation			
Loss for the year from discontinued operation		<u>(2,994)</u>	<u>(1,713)</u>
Loss for the year	6	<u>(65,932)</u>	<u>(13,983)</u>
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gains on property revaluation		2,735	14,450
Recognition of deferred tax liability arising on property revaluation		<u>(330)</u>	<u>(3,009)</u>
		<u>2,405</u>	<u>11,441</u>
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>4,707</u>	<u>8,856</u>
Other comprehensive income/(expense) for the year		<u>7,112</u>	<u>20,297</u>
Total comprehensive (expense)/income for the year		<u><u>(58,820)</u></u>	<u><u>6,314</u></u>
Loss for the year attributable to owners of the Company			
– from continuing operations		(62,715)	(12,072)
– from discontinued operation		<u>(2,994)</u>	<u>(1,713)</u>
Loss for the year attributable to owners of the Company		<u>(65,709)</u>	<u>(13,785)</u>
Loss for the year attributable to non-controlling interests			
– from continuing operations		(223)	(198)
– from discontinued operation		<u>–</u>	<u>–</u>

	<i>NOTE</i>	2021 HK\$'000	2020 <i>HK\$'000</i> (Re-presented)
Loss for the year attributable to non-controlling interests		<u>(223)</u>	<u>(198)</u>
		<u>(65,932)</u>	<u>(13,983)</u>
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(58,597)	6,512
Non-controlling interests		<u>(223)</u>	<u>(198)</u>
		(58,820)	6,314
Total comprehensive (expense)/income for the year attributable to owners of the Company:			
– from continuing operations		(55,603)	8,225
– from discontinued operation		<u>(2,994)</u>	<u>(1,713)</u>
		<u>(58,597)</u>	<u>6,512</u>
			(Restated)
Loss per share	8		
From continuing and discontinued operations			
– Basic and diluted		<u>(HK28.53 cents)</u>	<u>(HK5.98 cents)</u>
From continuing operations			
– Basic and diluted		<u>(HK27.23 cents)</u>	<u>(HK5.24 cents)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment		28,194	26,527
Right-of-use assets		11,770	17,298
Investment properties		27,520	65,087
Investment in associates		10,515	9,824
Financial assets at fair value through profit or loss ("FVTPL")	10	4,015	25,557
Statutory deposits placed with clearing house		205	205
Deferred tax assets		19,630	19,317
		<u>101,849</u>	<u>163,815</u>
Current assets			
Inventories		28,245	13,807
Trade and other receivables and prepayments	9	145,768	200,719
Loan receivables	9	1,452,708	1,397,480
Financial assets at FVTPL	10	143,577	79,877
Tax recoverable		–	716
Bank balances (trust and segregated accounts)		9,139	26,536
Bank balances (general accounts) and cash		149,784	230,249
		<u>1,929,221</u>	<u>1,949,384</u>
Current liabilities			
Trade and other payables and accruals	11	152,827	142,823
Lease liabilities		429	5,377
Tax payable		17,888	17,554
Borrowings		–	36,016
		<u>171,144</u>	<u>201,770</u>
Net current assets		<u>1,758,077</u>	<u>1,747,614</u>
Total assets less current liabilities		<u>1,859,926</u>	<u>1,911,429</u>
Capital and reserves			
Share capital		690,968	690,968
Reserves		364,548	423,145
		<u>1,055,516</u>	<u>1,114,113</u>
Non-controlling interests		<u>161</u>	<u>384</u>
Total equity		<u>1,055,677</u>	<u>1,114,497</u>
Non-current liabilities			
Bonds		786,889	780,954
Deferred tax liabilities		17,360	15,556
Lease liabilities		–	422
		<u>804,249</u>	<u>796,932</u>
		<u>1,859,926</u>	<u>1,911,429</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability. 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 Flat F&G, 4/F., Golden Sun Centre, 59-67 Bonham Strand 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”) had been suspended at the direction of the Securities and Futures Commission (the “SFC”) since 6 June 2017. During the year ended 31 December 2021, the Company was informed by the SFC that after due consideration of the actions taken by the Company to satisfy the resumption conditions and due inquiry, it was satisfied that all the resumption conditions were fulfilled and the trading in the Shares was resumed with effect from 21 June 2021.

This consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

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 following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, Interest Rate Benchmark Reform – Phase 2
HKFRS 4 and HKFRS 16

The application of the amendments to HKFRSs in the current year has 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 amendments to HKFRSs that have been issued but are not yet effective:

		Effective for annual periods beginning on or after
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 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 HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
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 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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 directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 they collectively make 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 three operating and reportable segments:

Medical products and plastic toys business	Manufacturing and distribution of medical care products and plastic toys
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

An operating segment regarding the garments trading and sourcing was discontinued in the current year. The segment information reported on the following does not include any amounts for this discontinued operation, which are described in more detail as below.

Revenue

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

	2021 HK\$'000	2020 <i>HK\$'000</i> (Re-presented)
Continuing operations		
Medical products	70,129	43,143
Plastic toys	12,373	15,855
Fee and commission income	1,764	2,998
	<hr/>	<hr/>
Revenue from contracts with customers	84,266	61,996
Interest income from		
– Loan receivables	124,196	135,291
– Margin financing	6,825	10,446
– Finance lease	–	98
	<hr/>	<hr/>
	131,021	145,835
	<hr/>	<hr/>
	215,287	207,831
	<hr/> <hr/>	<hr/> <hr/>
	2021 HK\$'000	2020 <i>HK\$'000</i> (Re-presented)
Timing of revenue recognition		
A point in time	84,266	61,996
Over time	–	–
	<hr/>	<hr/>
	84,266	61,996
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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>	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>
For the year ended 31 December 2021				
Continuing operations				
Segment revenue – external	82,502	6,993	125,792	215,287
Segment results	(8,691)	(4,024)	22,059	9,344
Changes in fair value of:				
– investment properties				5,146
– financial assets at FVTPL				3,822
Property rental income				2,349
Loss on disposal of subsidiaries				2,207
Share of results of an associate				565
Unallocated corporate income				499
Unallocated corporate expenses				(86,826)
Loss before taxation from continuing operations				(62,894)
	Medical products and plastic toys business <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>
For the year ended 31 December 2020				
Continuing operations				
Segment revenue – external	58,998	12,054	136,779	207,831
Segment results	(4,571)	(30,330)	112,707	77,806
Changes in fair value of:				
– investment properties				(10,838)
– financial assets at FVTPL				12,015
Property rental income				3,066
Share of results of an associate				166
Unallocated corporate income				894
Unallocated corporate expenses				(104,135)
Loss before taxation from continuing operations				(21,026)

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 changes in fair value of investment properties and financial assets at FVTPL, property rental income, loss on disposal of subsidiaries, share of results of an associate, unallocated corporate income and unallocated corporate expenses. This is the measure reported to the CODM for the purposes 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>	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>
As at 31 December 2021				
Continuing operations				
Segment assets	130,568	183,063	1,516,037	1,829,668
Investment properties				27,520
Investment in associates				10,515
Financial assets at FVTPL				147,592
Other unallocated assets				15,775
Total assets				<u>2,031,070</u>
Segment liabilities	59,795	22,577	23,344	105,716
Bonds				786,889
Other unallocated liabilities				82,788
Total liabilities				<u>975,393</u>

	Medical products and plastic toys business <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>
As at 31 December 2020				
Continuing operations				
Segment assets	94,239	275,668	1,465,521	1,835,428
Investment properties				65,087
Investment in associates				9,824
Financial assets at FVTPL				105,434
Other unallocated assets				85,439
Assets relating to discontinued operations				11,987
Total assets				<u>2,113,199</u>
Segment liabilities	50,697	36,404	13,091	100,192
Bonds				780,954
Other unallocated liabilities				102,196
Liabilities relating to discontinued operations				15,360
Total liabilities				<u>998,702</u>

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

- all assets, other than investment properties, investment in associates, 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.

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 continuing operations 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	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	132,785	148,735	2,447	44,750
Europe*	55,754	35,278	-	-
The United States of America	12,724	6,506	-	-
The PRC (excluding Hong Kong)	6,795	5,729	65,037	56,972
Australia	1,183	1,105	-	-
South America	58	56	-	-
Others*	5,988	10,422	-	-
	<u>215,287</u>	<u>207,831</u>	<u>67,484</u>	<u>101,722</u>

* 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 those relating to discontinued operations and investment in associates, financial assets at FVTPL, statutory deposits placed with clearing house and deferred tax assets.

Information about major customers

The Group's revenue from continuing operations from external customers is mainly derived from the PRC and Hong Kong. For the years ended 31 December 2021 and 2020, there was no revenue from transactions with a single customer amounted to 10% or more of the total revenue.

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

(a) Other gains and losses, net

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Re-presented)
Continuing operations		
Fair value changes of:		
– investment properties	5,146	(10,838)
– financial assets at FVTPL	3,822	12,015
Impairment loss on goodwill	-	(1,900)
Gain/(loss) on disposal of property, plant and equipment	24	(8)
Loss on disposal of subsidiaries	(2,207)	-
Gains on derecognition of financial assets	-	951
Impairment loss on investment in associates	(166)	-
	<u>6,619</u>	<u>220</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Re-presented)
Continuing operations		
Impairment loss (recognised)/reversed on trade receivables arising from:		
– medical products and plastic toys business and trading of garments	(516)	1,194
– securities brokerage business	4,565	(17,897)
Impairment loss recognised on finance lease receivables	–	(2,766)
Impairment loss recognised on loan receivables	(66,794)	(16,745)
Impairment loss recognised on other receivables	(34,053)	(22,259)
	<u>(96,798)</u>	<u>(58,473)</u>

5. **INCOME TAX (EXPENSES)/CREDIT**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Re-presented)
Continuing operations		
Current tax:		
Hong Kong Profits Tax	–	–
The PRC Enterprise Income Tax (“EIT”)	620	533
	<u>620</u>	<u>533</u>
Over-provision in prior years:		
Hong Kong Profits Tax	–	(5,989)
	<u>–</u>	<u>(5,456)</u>
Deferred taxation:		
Current year	(576)	(3,300)
	<u>44</u>	<u>(8,756)</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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 of the qualifying group entity 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% for both years.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Re-presented)
Loss for the year from continuing operations has been arrived at after charging/(crediting):		
Salaries and allowances, including those of directors	31,553	25,508
Contributions to retirement benefit schemes, including those of directors	<u>1,003</u>	<u>535</u>
Total employee benefits expense, including those of directors	<u>32,556</u>	<u>26,043</u>
Auditor's remuneration	710	710
Cost of inventories recognised as an expense	67,551	47,028
Depreciation of property, plant and equipment	3,399	4,257
Depreciation of right-of-use assets	459	5,095
Reversal of allowance for inventories	<u>(4,025)</u>	<u>(1,060)</u>

7. DIVIDENDS

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2021 (2020: nil).

8. LOSS PER SHARE

From continuing operations

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company, for the purpose of basic and diluted loss per share from continuing operations	<u>(62,715)</u>	<u>(12,072)</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>230,322,413</u>	<u>230,322,413</u>

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the consolidation of every ten ordinary shares of the Company of HK\$0.5 each into one consolidated share of HK\$5.0 each which become effective on 11 January 2022.

Diluted loss per share for the years ended 31 December 2021 and 2020 were the same as basic loss per share as there were no potential ordinary shares in issue for the years ended 31 December 2021 and 2020.

From continuing and discontinued operations

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

	2021 <i>HK\$'000</i>	2020 <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>(65,709)</u>	<u>(13,785)</u>

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operations

Basic and diluted loss per share for the discontinued operations is HK1.30 cents per share (2020: HK0.74 cents per share), based on the loss for the year from the discontinued operations of approximately HK\$2,994,000 (2020: HK\$1,713,000) and the denominators detailed above for both basic and diluted loss per share.

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS/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 ECL from medical products and plastic toys business and sourcing presented based on the invoice date at the end of reporting period, which approximated the respective revenue recognition dates.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	6,439	6,034
31 to 90 days	5,666	3,883
Over 90 days	2,454	12,160
	<u>14,559</u>	<u>22,077</u>

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly.

- (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 2021, included in the Group's loan receivables balance are debtors with aggregate carrying amount of HK\$64,955,000 which are past due as at the reporting date, of which HK\$57,598,000 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.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Financial assets mandatorily at FVTPL:		
Listed securities held for trading:		
– Equity securities listed in Hong Kong	122,955	63,047
Unlisted equity fund	4,015	25,557
Unlisted debt securities	20,622	16,830
	<u>147,592</u>	<u>105,434</u>
Analysed for reporting purpose as:		
Current assets	143,577	79,877
Non-current assets	4,015	25,557
	<u>147,592</u>	<u>105,434</u>

The Group recorded a gain on fair value changes of financial assets at FVTPL for the year ended 31 December 2021 of approximately HK\$3.8 million (2020: a gain of approximately HK\$12.0 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	17,500	7,617
31 to 90 days	2,436	1,442
Over 90 days	2,950	12,696
	<u>22,886</u>	<u>21,755</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 increased by approximately 58.0% for the year ended 31 December 2021 to approximately HK\$55.8 million, representing approximately 67.6% of the total revenue from medical products and plastic toys business. Revenue from US customers increased by approximately 95.6% for the year ended 31 December 2021 to approximately HK\$12.7 million, accounting for approximately 15.4% of the total revenue from medical and plastic toys business. Revenue from the PRC customers increased by approximately 18.6% for the year ended 31 December 2021 to approximately HK\$6.8 million, accounting for approximately 8.2% 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 2021 was approximately HK\$70.1 million, representing an increase of approximately 62.5% over last year and accounted for 85.0% of the total revenue from medical products and plastic toys business. The improvement was mainly due to the higher demand and more orders from overseas customers for powered scooters. Sales revenue from plastic toys slightly decreased by approximately 22.0% for the year ended 31 December 2021 to approximately HK\$12.4 million mainly due to keen market competition.

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\$7.0 million revenue for the year ended 31 December 2021 (2020: HK\$12.9 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\$6.8 million for the year ended 31 December 2021 (2020: HK\$10.4 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 2021 due to the weak market condition and the decline of investor enthusiasm.

Money Lending and Finance Leasing

For the year ended 31 December 2021, 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\$124.2 million interest income for the year and has decreased approximately HK\$11.1 million as compared to last year, representing approximately 57.7% 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.

During the year end 31 December 2021, the carrying amounts for the largest borrower and the five largest borrowers in aggregate were approximately HK\$31.1 million and HK\$144.8 million accounted for approximately 2.1% and 9.9% of the total loan receivables of the Group.

The Group performed impairment assessment under expected credit loss (“ECL”) model on loan receivables under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. In view of the global economic condition and the COVID-19 affection, the Group assessed that the probability of default of some borrowers would be higher. As such, the Group had recognised approximately HK\$66.8 million ECL for the year ended 31 December 2021.

The Group would conduct due diligence on the loan applicants through background searching, collecting business information, statutory records, documentation of applicant’s identification, and other materials that were deem relevant to assess the creditworthiness of such applicants.

The Group continues to monitor the borrower’s ability to repay the loans after the drawdown of the loans. In order to monitor the risks associated with loans, we conduct periodic reviews on our loan portfolio. In addition, we conduct follow-up procedures with our borrowers by reviewing and evaluating the borrowers’ financial condition, market development of the industries and regions in which the customers operate, and the source of repayment to ascertain whether the customers are expected to have any difficulty in making timely repayments. The Group would also take appropriate actions, if and when necessary.

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 COVID-19 has been 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. 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.

During the year ended 31 December 2021, the Company has been informed by the SFC that after due consideration of the actions taken by the Company to satisfy the resumption conditions and due inquiry, it is satisfied all the resumption condition has been fulfilled and the trading in the Company's shares was resumed with effect from 21 June 2021. We are committed to continue in strengthen the corporate governance of the Group, 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 2021 was approximately HK\$215.3 million (2020: HK\$207.8 million), representing an increase of approximately 3.6% over last year. The increase in the consolidated revenue was mainly due to the increase of medical products and plastic toys business, of which the increment was HK\$23.5 million.

Gross profit margin of the Group for the year was approximately 68.6%, representing a decrease of approximately 8.8 percentage points as compared to the gross profit margin of approximately 77.4% in the last year. Loss of the Group for the year ended 31 December 2021 was approximately HK\$65.9 million (2020: HK\$14.0 million) and loss for the year attributable to owners of the Company was approximately HK\$65.7 million (2020: HK\$13.8 million). The increase was mainly due to the increase of impairment loss of net of reversal of financial assets approximately HK\$38.3 million for the year ended 31 December 2021 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 2021 decreased by approximately HK\$80.5 million to approximately HK\$149.8 million as compared to approximately HK\$230.2 million as at 31 December 2020. The Group has bank borrowings of approximately HK\$nil (2020: HK\$3.0 million), bank overdrafts of approximately HK\$nil (2020: HK\$5.0 million), term loan of approximately HK\$nil (2020: HK\$28.0 million) and bond payable of approximately HK\$786.9 million (2020: HK\$781.0 million) as at 31 December 2021. As at 31 December 2021, the Group had net current assets of approximately HK\$1,758.1 million (31 December 2020: HK\$1,747.6 million) and a current ratio of approximately 11.3 (31 December 2020: 9.7). Average trade receivable turnovers and average inventory turnovers for the medical products and plastic toys business for the year ended 31 December 2021 were 59 days (31 December 2020: 78 days) and 133 days (31 December 2020: 108 days) respectively. The Group's gearing ratio as at 31 December 2021 was approximately 74.5% (2020: 73.3%). 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 2021, 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 2021 of this announcement.

DISCONTINUED OPERATION – SALES OF GARMENT ACCESSORIES

On 1 April 2021, the Company entered into the sales and purchase agreement with the purchaser to dispose of its 100% equity interest of Brilliant Summit Limited, a wholly-owned subsidiary of the Company, which were principally engaged in trading and sourcing of garment accessories. The transaction was completed on 8 April 2021 at a consideration of HK\$650,000.

DISPOSAL OF SUBSIDIARIES – TREASURE BOOM GROUP

On 14 April 2021, the Company entered into a sale and purchase agreement with the purchaser to dispose of its 100% equity interest in Treasure Boom at a consideration of HK\$8,100,000.

PLEDGE OF ASSETS

The Group did not have any pledged assets as at 31 December 2021. As at 31 December 2020, 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. The term loan of approximately HK\$28.0 million was secured by the Group's investment properties of approximately HK\$38.6 million as at 31 December 2020.

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 2021, the Company did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, 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 2021 (2020: nil).

EVENT AFTER THE REPORTING PERIOD

Reference is made to the announcements of the Company dated 5 October 2021, 4 November 2021, 11 November 2021 and 15 December 2021 (the “Announcements”) and the circular of the Company dated 19 October 2021 (the “Circular”). Unless otherwise defined herein, capitalized terms used in this section shall have the same meanings as those defined in the Announcements and the Circular.

On 11 January 2022, a special resolution was passed by the Shareholders at the special general meeting of the Company to approve the Capital Reorganisation involving the Share Consolidation, the Capital Reduction and the Share Sub-division as follows:

- (i) consolidate every ten (10) issued and unissued Existing Shares of par value of HK\$0.50 each in the share capital of the Company shall be consolidated into one (1) Consolidated Share of par value of HK\$5.0 each;
- (ii) immediately following the Share Consolidation, the issued share capital of the Company will be reduced by (a) rounding down the number of Consolidated Shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a Consolidated Share in the issued share capital of the Company; and (b) a reduction of the par value of each issued Share from HK\$5.0 to HK\$0.01 per issued Share which reduction will comprise of a cancellation of such amount of the paid-up capital on each issued Share and an extinguishment and reduction of any part of the capital not paid up on any issued Shares so that each existing issued Share will be treated as one fully paid up share of par value of HK\$0.01 each in the share capital of the Company immediately following the Capital Reduction and the credit arising from the Capital Reduction will be credited to the contributed surplus account of the Company within the meaning of the Companies Act and be applied for such purposes as permitted by all applicable laws and the memorandum and bye-laws of the Company and as the Board considers appropriate; and
- (iii) immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares shall be sub-divided into five hundred (500) New Shares of par value of HK\$0.01 each.

The Capital Reorganisation became effective on 13 January 2022.

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

During the year ended 31 December 2021, 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 2021, 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 2021, 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
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.

Save 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 2021.

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 2021.

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 2021.

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 2021.

SCOPE OF WORK OF ELITE PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Elite Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners CPA Limited on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The Company's annual report for the year ended 31 December 2021 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 Stock Exchange at www.hkexnews.hk and the website of the Company at www.lerado.com, and will be despatched to the Shareholders in due course.

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

Hong Kong, 30 March 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.