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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 2022

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 2022, together with the comparative figures as follows:

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

For the year ended 31 December 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
<b>Continuing operations</b>			
Revenue	3		
– Goods and services		94,112	84,266
– Interest		124,126	131,021
		<hr/>	<hr/>
Total revenue		218,238	215,287
Cost of inventories and services		(72,866)	(67,611)
		<hr/>	<hr/>
		145,372	147,676
Other income		9,683	2,848
Other gains and losses, net	4	(52,728)	6,619
Impairment loss recognised on financial assets at amortised cost, net	4	(318,160)	(96,798)
Marketing and distribution costs		(9,041)	(5,127)
Administrative expenses		(50,771)	(56,971)
Share of results of an associate		530	565
Finance costs		(70,448)	(61,706)
		<hr/>	<hr/>
Loss before taxation		(345,563)	(62,894)
Income tax expense	5	(22,074)	(44)
		<hr/>	<hr/>

	<i>NOTE</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Loss for the year from continuing operations		<u>(367,637)</u>	<u>(62,938)</u>
<b>Discontinued operation</b>			
Loss for the year from discontinued operation		<u>–</u>	<u>(2,994)</u>
Loss for the year	6	<u>(367,637)</u>	<u>(65,932)</u>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Gains on property revaluation		7,636	2,735
Recognition of deferred tax liability arising on property revaluation		<u>(1,527)</u>	<u>(330)</u>
		<u>6,109</u>	<u>2,405</u>
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange differences arising on translation of foreign operations		<u>(13,243)</u>	<u>4,707</u>
Other comprehensive (expense)/income for the year		<u>(13,243)</u>	<u>7,112</u>
Total comprehensive expense for the year		<u>(374,771)</u>	<u>(58,820)</u>
Loss for the year attributable to owners of the Company			
– from continuing operations		(367,073)	(62,715)
– from discontinued operation		<u>–</u>	<u>(2,994)</u>
Loss for the year attributable to owners of the Company		<u>(367,073)</u>	<u>(65,709)</u>
Loss for the year attributable to non-controlling interests			
– from continuing operations		(564)	(223)
– from discontinued operation		<u>–</u>	<u>–</u>

	<i>NOTE</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Loss for the year attributable to non-controlling interests		<u>(564)</u>	<u>(223)</u>
		<u><b>(367,637)</b></u>	<u>(65,932)</u>
Total comprehensive expense attributable to:			
Owners of the Company		<u>(374,207)</u>	<u>(58,597)</u>
Non-controlling interests		<u>(564)</u>	<u>(223)</u>
		<u><b>(374,771)</b></u>	<u>(58,820)</u>
Total comprehensive expense for the year attributable to owners of the Company:			
– from continuing operations		<u>(374,207)</u>	<u>(55,603)</u>
– from discontinued operation		<u>–</u>	<u>(2,994)</u>
		<u><b>(374,207)</b></u>	<u>(58,597)</u>
<b>Loss per share</b>	<b>8</b>		
From continuing and discontinued operations			
– Basic and diluted		<u><b>(HK159.37 cents)</b></u>	<u>(HK28.53 cents)</u>
From continuing operations			
– Basic and diluted		<u><b>(HK159.37 cents)</b></u>	<u>(HK27.23 cents)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment		26,024	28,194
Right-of-use assets		12,649	11,770
Investment properties		24,516	27,520
Investment in associates		10,134	10,515
Financial assets at fair value through profit or loss ("FVTPL")	10	13,626	4,015
Statutory deposits placed with clearing house		255	205
Deferred tax assets		–	19,630
		<u>87,204</u>	<u>101,849</u>
Current assets			
Inventories		13,962	28,245
Trade and other receivables and prepayments	9	106,550	145,768
Loan receivables	9	1,200,710	1,452,708
Financial assets at FVTPL	10	90,100	143,577
Tax recoverable		9	–
Bank balances (trust and segregated accounts)		9,098	9,139
Bank balances (general accounts) and cash		175,020	149,784
		<u>1,595,449</u>	<u>1,929,221</u>
Current liabilities			
Trade and other payables and accruals	11	178,705	152,827
Lease liabilities		855	429
Tax payable		18,752	17,888
Borrowings		–	–
		<u>198,312</u>	<u>171,144</u>
Net current assets		<u>1,397,137</u>	<u>1,758,077</u>
Total assets less current liabilities		<u>1,484,341</u>	<u>1,859,926</u>
Capital and reserves			
Share capital		2,304	690,968
Reserves		678,858	364,548
		<u>681,162</u>	<u>1,055,516</u>
Non-controlling interests		(403)	161
Total equity		<u>680,759</u>	<u>1,055,677</u>
Non-current liabilities			
Bonds		789,739	786,889
Deferred tax liabilities		13,843	17,360
Lease liabilities		–	–
		<u>803,582</u>	<u>804,249</u>
		<u>1,484,341</u>	<u>1,859,926</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL

Lerado Financial Group Company Limited (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.

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 2022 for the preparation of the consolidated financial statements:

Amendments to <b>HKFRS</b> 3	Reference to the Conceptual Framework
Amendment to <b>HKFRS</b> 16	Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to <b>HKAS</b> 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to <b>HKAS</b> 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to <b>HKFRSs</b>	Annual Improvements to <b>HKFRSs</b> 2018-2020

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:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendment to HKAS 1	Non-current Liabilities with Covenants <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or 1 January 2024.

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Continuing operations</b>		
Medical products	85,528	70,129
Plastic toys	7,415	12,373
Fee and commission income	<u>1,169</u>	<u>1,764</u>
Revenue from contracts with customers	94,112	84,266
Interest income from		
– Loan receivables	122,093	124,196
– Margin financing	<u>2,033</u>	<u>6,825</u>
	<u>124,126</u>	<u>131,021</u>
	<u>218,238</u>	<u>215,287</u>
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Timing of revenue recognition</b>		
A point in time	94,112	84,266
Over time	<u>–</u>	<u>–</u>
	<u>94,112</u>	<u>84,266</u>

## 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>
<b>For the year ended 31 December 2022</b>				
<b>Continuing operations</b>				
Segment revenue – external	92,943	3,202	122,093	218,238
Segment results	273	(31,083)	(172,255)	(203,065)
Changes in fair value of:				
– investment properties				(1,149)
– financial assets at FVTPL				(50,576)
Property rental income				1,007
Share of results of an associate				530
Unallocated corporate income				8,676
Unallocated corporate expenses				(100,986)
Loss before taxation from continuing operations				(345,563)

	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>
<b>For the year ended 31 December 2021</b>				
<b>Continuing operations</b>				
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)

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.

### 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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Hong Kong	125,295	132,785	2,580	2,447
Europe*	71,870	55,754	-	-
The United States of America	11,603	12,724	-	-
The PRC (excluding Hong Kong)	5,732	6,795	60,609	65,037
Australia	1,513	1,183	-	-
South America	8	58	-	-
Others*	2,217	5,988	-	-
	<u>218,238</u>	<u>215,287</u>	<u>63,189</u>	<u>67,484</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 2022 and 2021, 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**

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations		
Fair value changes of:		
– investment properties	(1,149)	5,146
– financial assets at FVTPL	(51,557)	3,822
Gain/(loss) on disposal of property, plant and equipment	(22)	24
Loss on disposal of subsidiaries	–	(2,207)
Impairment loss on investment in associates	–	(166)
	<u>(52,728)</u>	<u>6,619</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Continuing operations</b>		
Impairment loss (recognised)/reversed on trade receivables arising from:		
– medical products and plastic toys business and trading of garments	(195)	(516)
– securities brokerage business	(29,726)	4,565
Impairment loss recognised on finance lease receivables	–	–
Impairment loss recognised on loan receivables	(288,238)	(66,794)
Impairment loss recognised on other receivables	(1)	(34,053)
	<u>(318,160)</u>	<u>(96,798)</u>

## 5. INCOME TAX (EXPENSES)/CREDIT

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Continuing operations</b>		
Current tax:		
Hong Kong Profits Tax	–	–
The PRC Enterprise Income Tax (“EIT”)	<u>2,224</u>	<u>620</u>
	<u>2,224</u>	<u>620</u>
Deferred taxation:		
Current year	<u>19,850</u>	<u>(576)</u>
	<u><u>22,074</u></u>	<u><u>44</u></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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year from continuing operations has been arrived at after charging/(crediting):		
Salaries and allowances, including those of directors	25,511	31,553
Contributions to retirement benefit schemes, including those of directors	<u>1,927</u>	<u>1,003</u>
Total employee benefits expense, including those of directors	<u>27,438</u>	<u>32,556</u>
Auditor's remuneration	710	710
Cost of inventories recognised as an expense	72,866	67,551
Depreciation of property, plant and equipment	1,158	3,399
Depreciation of right-of-use assets	809	459
Provision/(Reversal) of allowance for inventories	<u>401</u>	<u>(4,025)</u>

## 7. DIVIDENDS

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2022 (2021: 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:

	2022 <i>HK\$'000</i>	2021 <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>(367,073)</u>	<u>(62,715)</u>
	<b>Number of shares</b>	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>

Diluted loss per share for the years ended 31 December 2022 and 2021 were the same as basic loss per share as there were no potential ordinary shares in issue for the years ended 31 December 2022 and 2021.

### 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:

	2022 <i>HK\$'000</i>	2021 <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>(367,073)</u>	<u>(65,709)</u>

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

### From discontinued operations

For the year ended 31 December 2021 basic and diluted loss per share for the discontinued operations is HK1.30 cents per share, based on the loss for the year from the discontinued operations of approximately HK\$2,994,000 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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	9,237	6,439
31 to 90 days	1,189	5,666
Over 90 days	<u>2,342</u>	<u>2,454</u>
	<u>12,768</u>	<u>14,559</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.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Financial assets mandatorily at FVTPL:		
Listed securities held for trading:		
– Equity securities listed in Hong Kong	71,372	122,955
Unlisted equity fund	13,626	4,015
Unlisted debt securities	18,728	20,622
	<u>103,726</u>	<u>147,592</u>
Analysed for reporting purpose as:		
Current assets	90,100	143,577
Non-current assets	13,626	4,015
	<u>103,726</u>	<u>147,592</u>

The Group recorded a loss on fair value changes of financial assets at FVTPL for the year ended 31 December 2022 of approximately HK\$52 million (2021: a gain of approximately HK\$3.8 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	13,279	17,500
31 to 90 days	2,409	2,436
Over 90 days	1,035	2,950
	<u>16,723</u>	<u>22,886</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**

In terms of products, sales revenue from medical products for the year ended 31 December 2022 was approximately HK\$85.5 million, representing an increase of approximately 22.0% over last year and accounted for 92.0% 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 decreased by approximately 40.1% for the year ended 31 December 2022 to approximately HK\$7.4 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\$3.2 million revenue for the year ended 31 December 2022 (2021: HK\$7.0 million), representing 1.5% of the total revenue of the Group. It was mainly contributed by the interest income from the margin client of HK\$2.0 million for the year ended 31 December 2022 (2021: HK\$6.8 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 2022 due to the weak market condition and the decline of investor enthusiasm.

### **Money Lending and Finance Leasing**

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

To become the Company customers (including corporate customers and individual customers), the customer is required to disclose in the loan application a list of information including but not limited to the size, term and use of the loan, whether the loan will be guaranteed or secured, and capability of repayment. Regarding corporate customers, we require the customer to provide various types of documentation, such as a copy of business registration certificate, certificate of incorporation, register of members and directors, articles of association and latest of the audited report or management account.

Regarding individual customers, we require the customer to provide various types of documentation, such as a copy of the identification card of the borrower for individual customers, or asset or income proof. In respect of the portion of secured or unsecured loans, it is expected that the loan portfolio will shift to more secured loan focused in the future when considering new loan applications. The source of funds for the money lending business is funded by the internal resources of the Group.

Lerado Finance Limited and BlackMarble Capital Limited principally engage in money lending business in Hong Kong and are licensed money lenders in Hong Kong under the Money Lenders Ordinance. We also have a business license to conduct the finance leasing business in the PRC. The terms of a loan were determined on a case-by-case basis following arm's length negotiation between the Company and the borrowers, taking into account the factors such as the borrowers' requirements, the credit risks and prevailing market conditions. Regarding monitoring the credit risk of the long-term loans, the Company closely reviewed and monitored the loan repayment status subsequent to the drawdown of loans on a regular basis to ensure that loan repayments were punctual and past due accounts were handled efficiently. When there were past due accounts, the Group would take actions including discuss the repayment terms or settlement proposals with the borrower and if unsuccessful, legal action would be taken against the borrower. The Group manages credit risk through review and credit approval and post-transaction monitoring processes which are performed by management. Before granting the loans and entering into the finance lease agreements, the credit risk assessment has been performed. The credit risk assessment procedures include but not limited to:

- (i) We will conduct a background search through the Companies Registry and the internal KYC system, in relation to the shareholding and information of the management of the corporate or individual customers, if necessary. We will conduct a litigation search in relation to the borrower through the independent search agent, if necessary;
- (ii) the Company understands the business operations of the client through including but not limited to the interview, the statutory record provided, the financial information provided;
- (iii) reviewing the corporate documents of the potential client including but not limited to the constitution documents and financial statements;
- (iv) We perform the assessment on our customers including but not limited to monitor the value of collateral and check any default in repayment; and
- (v) in case of security being provided as collateral for the loan, assessing the validity and value of the security. The Company adopted the procedures on monitoring loan repayment and recovery which involve (a) the Company's subsidiary operating the money lending business is required to submit management accounts to the Company and report on the financial and business performance during meeting biannually; (b) it is required to report the repayment status of all loans to the Company bi-annually and report for any material defaulted loans immediately upon occurrence; We will assess the periodic review on loan portfolio by considering the outstanding balance, the total interest and principal paid, the value of collateral and any default in repayment. We will monitor the borrower through the latest financial information provided. In respect of delinquent loans, the standard demand letters will be issued. If no satisfactory response is received, formal legal demand letters will be issued. Thereafter formal legal proceedings may be issued where appropriate.

The Company has complied with requirements set out in chapter 14 and/or 14A of the Listing Rules when it granted the loans to each of the borrower(s), whose loan(s) was still outstanding as at 31 December 2022. The Company has not had an agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with a connected person with respect to the grant of loans to the borrower(s) whose loan(s) was still outstanding as at 31 December 2022.

## **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.

## **FINANCIAL REVIEW**

Consolidated revenue of the Group for the year ended 31 December 2022 was approximately HK\$218.2 million (2021: HK\$215.3 million), representing an increase of approximately 1.4% 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\$10.4 million.

Gross profit margin of the Group for the year was approximately 66.6%, representing a decrease of approximately 2.0 percentage points as compared to the gross profit margin of approximately 68.6% in the last year. Loss of the Group for the year ended 31 December 2022 was approximately HK\$367.6 million (2021: HK\$65.9 million) and loss for the year attributable to owners of the Company was approximately HK\$367.1 million (2021: HK\$65.7 million). The increase of loss was mainly due to the impairment loss recognised on loan receivables of approximately HK\$288.2 million for the year ended 31 December 2022.

## **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 2022 increased by approximately HK\$25.2 million to approximately HK\$175.0 million as compared to approximately HK\$149.8 million as at 31 December 2021. The Group has bond payable of approximately HK\$789.7 million (2021: HK\$786.9 million) as at 31 December 2022. As at 31 December 2022, the Group had net current assets of approximately HK\$1,397.1 million (31 December 2021: HK\$1,758.1 million) and a current ratio of approximately 8.0 (31 December 2021: 11.3). The Group's gearing ratio as at 31 December 2022 was approximately 116.0% (2021: 74.5%). 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 2022, 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 2022 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.

## **PLEDGE OF ASSETS**

The Group did not have any pledged assets as at 31 December 2022.

## **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 2022, the Company did not have any significant contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2022, 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 2022 (2021: nil).

## **EVENT AFTER THE REPORTING PERIOD**

There is no significant event after the end of the reporting period of the Group.

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

During the year ended 31 December 2022, 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 2022, 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 2022, 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	18,000,000	7.82%
Mr. Lai Shu Fun, Francis Alvin (Note 1)	Interest in Controlled Corporation	<u>18,000,000</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 18,000,000 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 2022.

## 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 2022.

## AUDIT COMMITTEE

The Audit committee of the Company (the “Audit Committee”), comprising of 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 2022.

## 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 2022.

## **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 2022 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 2022 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](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.

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

Hong Kong, 31 March 2023

*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.*