



Lerado Financial Group Company Limited

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



INTERIM REPORT
2023

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 2023, 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 2023

| | | Six months ended 30 June | |
|----------------------------------|--------------|--|---------------------------------|
| | <i>Notes</i> | 2023 HK\$'000 (unaudited) | 2022 HK\$'000 (unaudited) |
| CONTINUING OPERATIONS: | | | |
| Revenue | 3 | 79,802 | 83,210 |
| Cost of inventories and services | | (30,096) | (36,015) |
| | | 49,706 | 47,195 |
| Other income | | 1,415 | 2,149 |
| Other gains and losses | | (12,793) | (94,113) |
| Marketing and distribution costs | | (6,951) | (4,959) |
| Administrative expenses | | (20,820) | (26,391) |
| Share of profit of an associate | | 512 | – |
| Finance cost | | (30,318) | (23,741) |
| Loss before taxation | | (19,247) | (99,860) |
| Income tax expense | 4 | (1,024) | (1,285) |
| Loss for the period | 5 | (20,274) | (101,145) |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Continued)

For the six months ended 30 June 2023

| | Six months ended 30 June | | |
|--|--------------------------|---------------------------------|---------------------------------|
| | Notes | 2023 HK\$'000 (unaudited) | 2022 HK\$'000 (unaudited) |
| Other comprehensive income/ (expense) | | | |
| <i>Item that may be subsequently reclassified to profit or loss:</i> | | | |
| Exchange differences arising from translation | | 4,667 | (5,617) |
| Other comprehensive income/(expense) for the period | | 4,667 | (5,617) |
| Total comprehensive expense for the period | | (15,607) | (106,762) |
| Loss for the period attributable to: | | | |
| – Owners of the Company | | (20,338) | (100,751) |
| – Non-controlling interests | | 64 | (394) |
| | | (20,274) | (101,145) |
| Total comprehensive expense for the period attributable to: | | | |
| – Owners of the Company | | (15,671) | (106,368) |
| – Non-controlling interests | | 64 | (394) |
| | | (15,607) | (106,762) |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Continued)

For the six months ended 30 June 2023

| | | Six months ended 30 June | |
|----------------|-------|--------------------------|------------------|
| | Notes | 2023 HK cents | 2022 HK cents |
| Loss per share | 7 | | |
| – basic | | (8.83) | (43.74) |
| – diluted | | (8.83) | (43.74) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

| | <i>Notes</i> | 30 June 2023 HK\$'000 (unaudited) | 31 December 2022 HK\$'000 (audited) |
|---|--------------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | | 25,519 | 26,024 |
| Right-of-use assets | | 12,073 | 12,649 |
| Investment properties | | 24,516 | 24,516 |
| Investment in an associate | | 9,819 | 10,134 |
| Financial assets at fair value through profit or loss ("FVTPL") | 9 | 13,302 | 13,626 |
| Statutory deposits placed with clearing house | | 255 | 255 |
| | | 85,484 | 87,204 |
| Current assets | | | |
| Inventories | | 15,119 | 13,962 |
| Trade and other receivables and prepayments | 8 | 118,149 | 106,550 |
| Loans receivables | 8 | 1,230,826 | 1,200,710 |
| Financial assets at FVTPL | 9 | 75,320 | 90,100 |
| Tax recoverable | | 9 | 9 |
| Bank balances – trust and segregated accounts | | 8,729 | 9,098 |
| Bank balances (general accounts) and cash | | 171,140 | 175,020 |
| | | 1,619,292 | 1,595,449 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2023

| | Notes | 30 June 2023 HK\$'000 (unaudited) | 31 December 2022 HK\$'000 (audited) |
|--|-------|--|--|
| Current liabilities | | | |
| Trade and other payables and accruals | 10 | 229,670 | 178,705 |
| Lease liabilities | | 428 | 855 |
| Taxation payable | | 17,945 | 18,752 |
| | | 248,043 | 198,312 |
| Net current assets | | 1,371,249 | 1,397,137 |
| Total assets less current liabilities | | 1,456,733 | 1,484,341 |
| Capital and reserves | | | |
| Share capital | | 2,304 | 2,304 |
| Reserves | | 663,187 | 678,858 |
| | | 665,491 | 681,162 |
| Non-controlling interests | | (339) | (403) |
| Total equity | | 665,152 | 680,759 |
| Non-current liabilities | | | |
| Bond | | 777,738 | 789,739 |
| Deferred tax liabilities | | 13,843 | 13,843 |
| | | 791,581 | 803,582 |
| Total equity and non-current liabilities | | 1,456,733 | 1,484,341 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

| | Share capital | Share premium | Special reserve | Property revaluation reserve | Translation reserve | Capital redemption reserve | Contributed surplus | Accumulated profits | Total | Non-controlling interest | Total |
|---|---------------|---------------|-----------------|------------------------------|---------------------|----------------------------|---------------------|---------------------|----------|--------------------------|----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2023 (audited) | 2,304 | 352,753 | 38,510 | 47,756 | (138) | 1,270 | 688,664 | (449,957) | 661,162 | (403) | 660,759 |
| (Loss) profit for the period | - | - | - | - | - | - | - | (20,338) | (20,338) | 64 | (20,274) |
| Exchange differences arising from translation | - | - | - | - | 4,667 | - | - | - | 4,667 | - | 4,667 |
| Total comprehensive income for the period | - | - | - | - | 4,667 | - | - | (20,338) | (15,671) | 64 | (15,607) |
| At 30 June 2023 (unaudited) | 2,304 | 352,753 | 38,510 | 47,756 | 4,529 | 1,270 | 688,664 | (470,295) | 665,491 | (339) | 665,152 |

For the six months ended 30 June 2022

| | Share capital | Share premium | Special reserve | Property revaluation reserve | Translation reserve | Capital redemption reserve | Accumulated profits | Total | Non-controlling interest | Total |
|---|---------------|---------------|-----------------|------------------------------|---------------------|----------------------------|---------------------|-----------|--------------------------|-----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2022 (audited) | 690,968 | 352,753 | 38,510 | 41,647 | 13,252 | 1,270 | (82,884) | 1,055,516 | 161 | 1,055,677 |
| (Loss) for the period | - | - | - | - | - | - | (100,751) | (100,751) | (394) | (101,145) |
| Exchange differences arising from translation | - | - | - | - | 5,617 | - | - | 5,617 | - | 5,617 |
| Share option reserve | - | - | 2,459 | - | - | - | - | 2,459 | - | 2,459 |
| Total comprehensive income for the period | - | - | 2,459 | - | 5,617 | - | (100,751) | (92,675) | (394) | (93,069) |
| At 30 June 2022 (unaudited) | 690,968 | 352,753 | 40,969 | 41,647 | 18,869 | 1,270 | (183,635) | 962,841 | (233) | 962,608 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2023 HK\$'000 (unaudited) | 2022 HK\$'000 (unaudited) |
| Net cash from/(used) in operating activities | 18,569 | 3,816 |
| Net cash used in investing activities | (14,781) | (8,576) |
| Net cash from/(used) in financing activities | (12,427) | 6,662 |
| Net increase/(decrease) in cash and cash equivalents | (8,639) | 1,902 |
| Cash and cash equivalents at 1 January | 175,020 | 149,784 |
| Effect of foreign exchange rate changes | 4,759 | 5,617 |
| Cash and cash equivalents at 30 June, represented by | | |
| Bank balances and cash | 171,140 | 157,303 |
| Bank overdrafts | – | – |
| | 171,140 | 157,303 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 (the “Stock Exchange”).

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 2023 are consistent with those adopted in the preparation of 2022 annual report of the Company dated 31 March 2023 (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 2022 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 | Reference to the Conceptual Framework |
| Amendments to HKAS 16 | Property, Plant and Equipment: Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Annual Improvement to HKAS Standards 2018–2020 | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKAS 16 and HKAS 41 |

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 four operating and reportable segments:

Continuing operations

| | |
|--|---|
| Medical products and plastic toys business | Manufacturing and distribution of medical care products and plastic toys |
| 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 | |
|--|---------------------------------|-------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Medical products | 35,447 | 42,892 |
| Plastic toys | 1,852 | 2,708 |
| Fee and commission income | 197 | 274 |
| <hr/> | | |
| Revenue from contracts with customers | 37,496 | 45,874 |
| Interest income from loan receivables and finance lease receivables | 42,306 | 37,336 |
| <hr/> | | |
| | 79,802 | 83,210 |
| <hr/> | | |

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 (unaudited) | Securities brokerage business and assets management services HK\$'000 (unaudited) | Money lending business and other financial services HK\$'000 (unaudited) | Total HK\$'000 (unaudited) |
|---|---|---|--|----------------------------------|
| For the six months ended | | | | |
| 30 June 2023 | | | | |
| Segment revenue – external | 35,447 | 10,472 | 31,834 | 84,802 |
| Segment results | (11,750) | (25,270) | 31,463 | (5,557) |
| Change in fair value of: | | | | |
| – financial asset at FVTPL | | | | (15,374) |
| Realised gain of financial asset at FVTPL | | | | 2,625 |
| Property rental income | | | | 323 |
| Gain on disposal of subsidiaries | | | | - |
| Gain on disposal of discontinued operations | | | | - |
| Unallocated corporate income | | | | 1,092 |
| Unallocated corporate expenses | | | | (3,383) |
| Loss before taxation | | | | (20,274) |

| | Medical products and plastic toys business HK\$'000 (unaudited) | Securities brokerage business and assets management services HK\$'000 (unaudited) | Money lending business and other financial services HK\$'000 (unaudited) | Total HK\$'000 (unaudited) |
|--|--|--|---|----------------------------------|
| For the six months ended | | | | |
| 30 June 2022 | | | | |
| Segment revenue – external | 42,892 | 1,540 | 38,778 | 83,210 |
| Segment results | (9,771) | (67,447) | 38,930 | (38,288) |
| Change in fair value of: | | | | |
| – financial asset at FVTPL | | | | (38,914) |
| Realised loss of financial asset at FVTPL | | | | (2,419) |
| Property rental income | | | | 313 |
| Gain on disposal of subsidiaries | | | | – |
| Gain on disposal of discontinued operations | | | | – |
| Unallocated corporate income | | | | 1,026 |
| Unallocated corporate expenses | | | | (22,863) |
| Loss before taxation | | | | 101,145 |

4. INCOME TAX EXPENSES

| | Six months ended 30 June | |
|--|---------------------------------|-------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Current tax: | | |
| Hong Kong | 176 | 140 |
| The People's Republic of China (the "PRC") | | |
| Enterprise Income Tax | 848 | 1,416 |
| | 1,024 | 1,556 |
| Over provision in prior years | - | - |
| Profit Tax | 1,024 | 1,556 |
| Deferred tax: | | |
| Current period | - | (271) |
| Income tax expense | 1,024 | 1,285 |

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 | |
|---|---------------------------------|-------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Loss for the period has been arrived at after charging (crediting) the following items: | | |
| Depreciation of property, plant and equipment | 505 | 1,581 |
| Fair value change of financial asset at FVTPL | 15,104 | 38,914 |
| Impairment loss, net of reversal on trade and other receivable | 948 | 52,579 |
| Bank interest income | (536) | (413) |
| Finance cost | | |
| – Bank overdrafts and loans | – | 10 |
| – Bond | 30,261 | 23,607 |
| – Lease liabilities | 56 | 124 |

6. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: 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 | |
|--|---------------------------------|-------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Loss for the period attributable to owners of the Company, for the purpose of basic and diluted loss per share | (20,338) | (100,751) |
| | Number | Number |
| | of shares | of shares |
| Weighted average number of ordinary shares for the purpose of diluted loss per share | 230,322,413 | 230,322,413 |

The weighted average number of ordinary shares for both periods for the purposes of calculating basic (loss)/earnings per share have been adjusted for the share consolidation which took place on 13 January 2022. The computation of diluted loss per share for the six months ended 30 June 2023 and 2022 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 2023 HK\$'000 | 31 December 2022 HK\$'000 |
|--|--------------------------------------|---------------------------------|
| Trade receivables arising from: Medical products and plastic toys business and trading of garments (<i>Note a</i>) | 17,659 | 16,539 |
| Less: allowance for doubtful debts | (3,240) | (3,262) |
| | 14,419 | 13,277 |
| Trade receivables arising from securities brokerage business (<i>Note b</i>): | | |
| – Margin clients | 196,829 | 186,358 |
| – Clearing house | – | – |
| Less: allowance for doubtful debts | (112,643) | (111,695) |
| | 84,186 | 74,663 |
| Total trade receivables | 98,605 | 87,940 |
| Purchase deposits, other receivables and deposit | 17,913 | 16,979 |
| Prepayments | 1,631 | 1,631 |
| Total trade and other receivables and prepayments | 118,149 | 106,550 |

- (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 2023 HK\$'000 (unaudited) | 31 December 2022 HK\$'000 (audited) |
|----------------|--|--|
| Within 30 days | 10,129 | 9,241 |
| 31 to 90 days | 1,034 | 1,190 |
| Over 90 days | 3,256 | 2,846 |
| | 14,419 | 13,277 |

- (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 2023 HK\$'000 | 31 December 2022 HK\$'000 |
|----------------------------|--------------------------------------|---------------------------------|
| Loans receivables | 1,185,044 | 1,185,044 |
| Interest receivables | 393,255 | 359,763 |
| | 1,578,299 | 1,544,807 |
| Factoring loan receivables | 15,335 | 18,711 |
| | 1,593,634 | 1,563,518 |
| Loss allowance for ECL | (362,808) | (362,808) |
| | 1,230,826 | 1,200,710 |

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 2023 was ranged from 6% to 18% per annum (2022: from 6% to 18% 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 2023.

9. FINANCIAL ASSET AT FVTPL

| | 30 June 2023 HK\$'000 (unaudited) | 31 December 2022 HK\$'000 (audited) |
|---|--|--|
| Financial assets mandatorily at FVTPL: | | |
| Listed securities held for trading: | | |
| – Equity securities listed in Hong Kong | 56,592 | 71,372 |
| Unlisted equity fund | 13,302 | 13,626 |
| Unlisted debt securities | 18,728 | 18,728 |
| | 88,622 | 103,726 |
| Analysed for reporting purpose as: | | |
| Current assets | 75,320 | 90,100 |
| Non-current assets | 13,302 | 13,626 |
| | 88,622 | 103,726 |

The Group has recorded a loss on fair value changes of held-for-trading investments for the six months ended 30 June 2023 of approximately HK\$15.4 million (2022: HK\$38.9 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. The fair value of measurement of the Group's unlisted debt securities were categorised into Level 3 and fair value have been determined by reference to the discounted cash flows with yield to maturity being the key input.

10. TRADE AND OTHER PAYABLES AND ACCRUALS

| | 30 June 2023 HK\$'000 | 31 December 2022 HK\$'000 |
|--|--------------------------------------|---------------------------------|
| Trade payables arising from medical products and plastic toys business and trading of garments | 18,592 | 16,723 |
| Trade payables arising from securities brokerage business | | |
| – Cash clients | 29,154 | 4,284 |
| – Margin clients | 5,265 | 4,809 |
| – Clearing house | – | – |
| Total trade payables | 53,011 | 25,816 |
| Accrued expenses | 4,957 | 4,363 |
| Other payables | 171,702 | 148,526 |
| | 229,670 | 178,705 |

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 2023 HK\$'000 (unaudited) | 31 December 2022 HK\$'000 (audited) |
|----------------|--|--|
| Within 30 days | 11,378 | 13,279 |
| 31 to 90 days | 4,069 | 2,409 |
| Over 90 days | 3,145 | 1,035 |
| | 18,592 | 16,723 |

11. BORROWINGS/BOND

| | 30 June 2023 HK\$'000 | 31 December 2022 HK\$'000 |
|--------------|--------------------------------------|---------------------------------|
| Bond | 777,738 | 789,739 |
| Analysed as: | | |
| Secured | – | – |
| Unsecured | 777,738 | 789,739 |
| | 777,738 | 789,739 |

As at 30 June 2023, the bonds are 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.

12. SHARE CAPITAL

| | 30 June 2023 HK\$'000 | 31 December 2022 HK\$'000 |
|---|--------------------------------------|---------------------------------|
| Authorised | | |
| 500,000,000,000 ordinary shares | 5,000,000 | 5,000,000 |
| Issued ordinary shares | 2,304 | 690,468 |
| Share consolidation and capital reduction | – | (688,664) |
| 230,322,413 ordinary shares | 2,304 | 2,304 |

13. RELATED PARTY DISCLOSURES

The transactions during the current interim period are as follows:

Compensation of key management personnel

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

| | Six months ended 30 June | |
|------------------------------|---------------------------------|----------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Short-term employee benefits | 840 | 840 |

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.

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

In terms of products, sales revenue from medical products for the six months ended 30 June 2023 was approximately HK\$35.4 million, representing a decrease of approximately 17.4% as compared to the corresponding period in 2022. Sales revenue from plastic toys decreased by approximately 31.6% for the six months ended 30 June 2023 to approximately HK\$1.9 million, which was mainly due to the decrease in orders from the PRC customers. The overall decrease in the revenue for medical products and plastic toys business was because of the economic downturn entered in 2023.

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\$10.5 million revenue for the six months ended 30 June 2022.

The Group wishes to provide a full range of financing services, such as assets management business and corporate finance business, to its clients other than only securities brokerage, underwriting and placements services and money lending business. However, the assets management business had not generated any revenue during the six months ended 30 June 2023 due to the weak market condition.

Money Lending and Finance Leasing

For the six months ended 30 June 2023, 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\$42.3 million interest income for the six months ended 30 June 2023, representing approximately 53.0% 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.

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.

We are committed to continuing in strengthening the corporate governance of the Group, and creating the greatest possible value for all the shareholders of the Company.

FINANCIAL REVIEW

Consolidated revenue for the six months ended 30 June 2023 was approximately HK\$79.8 million (2022: HK\$83.2 million), representing a decrease of approximately 4.1% over the corresponding period in 2022. The decrease in the consolidated revenue was mainly due to the decrease in sales of medical products, of which the decrement was approximately HK\$7.4 million.

Gross profit margin for the six months ended 30 June 2023 was approximately 62.3%, representing an increase of approximately 5.6% as compared to the gross profit margin of 56.7% for the six months ended 30 June 2022. It was mainly because the revenue generated from medical products and plastic toys businesses shared a higher gross profit ratio than the securities brokerage business and the money lending business and other financial services.

Loss for the six months ended 30 June 2023 was approximately HK\$19.3 million (2022: HK\$101.1 million) and loss for the period attributable to owners of the Company was approximately HK\$19.4 million (2022: HK\$100.8 million). The decrease was mainly attributable to the decrease in other gains and losses of approximately HK\$82.3 million which were mainly the loss recognised on fair value changes of financial assets at FVTPL of HK\$38.9 million and impairment loss on trade and other receivables of HK\$52.6 million over the corresponding period in 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 30 June 2023 decreased by approximately HK\$3.9 million to approximately HK\$171.1 million as compared to approximately HK\$175.0 million as at 31 December 2022. As at 30 June 2023, the Group had bank borrowings of approximately HK\$nil (2022: HK\$6.3 million), and bond payable of approximately HK\$777.7 million (2022: HK\$789.8 million). As at 30 June 2023, the Group had net current assets of approximately HK\$1,372.4 million (2022: HK\$1,397.1 million) and a current ratio of approximately 6.5 (2022: 8.0). The Group's gearing ratio as at 30 June 2023 was approximately 118.9% (2022: 116.0%). The gearing ratio was computed by the total borrowing and bonds payable over the equity of the Group.

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 2023, there were no significant investments held by the Group as at 30 June 2023. 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 2023 are set out in note 9 to the financial statements of the Group for the six months ended 30 June 2023.

PLEDGE OF ASSETS

The Group did not have any pledged assets as at 30 June 2023 (31 December 2022: nil).

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 2023, the Company did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed a total workforce of 210 staff members, of which 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.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: nil).

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

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

On 29 June 2022, a share option scheme (the "2022 Share Option Scheme") has been adopted by the shareholders of the Company at annual general meeting under which the Directors may, at their discretion, grant share options to eligible persons.

As at 30 June 2023, there was no outstanding share options under the 2022 Share Option Scheme.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event after the six months ended 30 June 2023 and up to the date of this report.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, 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 30 June 2023, 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 | Nature of interest | 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 | 18,000,000 | 7.82% |

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.

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 2023.

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 2023.

AUDIT COMMITTEE

The Audit Committee, comprising the three independent non-executive Directors, namely Mr. YU Tat Chi Michael (the chairman), 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 2023.

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 2023.

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

Hong Kong, 31 August 2023

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.