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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 2023

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 2023, together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Revenue	3		
– Goods and services		80,279	94,112
– Interest		111,143	124,126
		<hr/>	<hr/>
Total revenue		191,422	218,238
Cost of inventories and services		(59,428)	(72,866)
		<hr/>	<hr/>
		131,994	145,372
Other income		6,632	9,683
Other gains and losses, net	4	(17,808)	(52,728)
Impairment loss recognised on financial assets at amortised cost, net	4	(292,066)	(318,160)
Marketing and distribution costs		(10,281)	(9,041)
Administrative expenses		(34,914)	(50,771)
Share of results of an associate		(9,487)	530
Finance costs		(52,313)	(70,448)
		<hr/>	<hr/>
Loss before taxation		(278,243)	(345,563)
Income tax expense	5	(1,152)	(22,074)
		<hr/>	<hr/>

	<i>NOTE</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year	6	<u>(279,395)</u>	<u>(367,637)</u>
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gains on property revaluation		3,898	6,221
Recognition of deferred tax liability arising on property revaluation		<u>(976)</u>	<u>(112)</u>
		<u>2,922</u>	<u>6,109</u>
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>23,963</u>	<u>(13,390)</u>
Other comprehensive (expense)/income for the year		<u>26,885</u>	<u>(7,281)</u>
Total comprehensive expense for the year		<u><u>(252,409)</u></u>	<u><u>(374,918)</u></u>
Loss for the year attributable to			
– owners of the Company		(279,466)	(367,073)
– non-controlling interests		<u>71</u>	<u>(564)</u>
		<u><u>(279,395)</u></u>	<u><u>(367,637)</u></u>
Total comprehensive expense attributable to:			
Owners of the Company		(252,480)	(374,354)
Non-controlling interests		<u>71</u>	<u>(564)</u>
		<u><u>(252,409)</u></u>	<u><u>(374,918)</u></u>
Loss per share	8		
– Basic and diluted		<u><u>(HK121.34 cents)</u></u>	<u><u>(HK159.37 cents)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment		28,456	26,024
Right-of-use assets		12,510	12,649
Investment properties		21,157	24,516
Investment in associates		–	10,134
Financial assets at fair value through profit or loss (“FVTPL”)	10	13,626	13,626
Statutory deposits placed with clearing house		205	255
		<u>75,954</u>	<u>87,204</u>
Current assets			
Inventories		15,718	13,962
Trade and other receivables and prepayments	9	147,749	106,550
Loan receivables	9	896,812	1,200,710
Financial assets at FVTPL	10	105,176	90,100
Tax recoverable		–	9
Bank balances (trust and segregated accounts)		7,785	9,098
Bank balances (general accounts) and cash		127,822	175,020
		<u>1,301,062</u>	<u>1,595,449</u>
Current liabilities			
Trade and other payables and accruals	11	176,739	178,705
Lease liabilities		935	855
Tax payable		15,349	18,752
		<u>193,023</u>	<u>198,312</u>
Net current assets		<u>1,108,039</u>	<u>1,397,137</u>
Total assets less current liabilities		<u>1,183,993</u>	<u>1,484,341</u>
Capital and reserves			
Share capital		2,304	2,304
Reserves		426,277	678,858
		<u>428,581</u>	<u>681,162</u>
Non-controlling interests		<u>(332)</u>	<u>(403)</u>
Total equity		<u>428,249</u>	<u>680,759</u>
Non-current liabilities			
Bonds		740,247	789,739
Deferred tax liabilities		14,616	13,843
Lease liabilities		881	–
		<u>755,744</u>	<u>803,582</u>
		<u>1,183,993</u>	<u>1,484,341</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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, 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.

Impacts on the application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the IFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to 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:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or 1 January 2024.

³ Effective for annual periods beginning on or 1 January 2025.

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Medical products	71,956	85,528
Plastic toys	7,224	7,415
Fee and commission income	1,099	1,169
	<hr/>	<hr/>
Revenue from contracts with customers	80,279	94,112
Interest income from		
– Loan receivables	108,954	122,093
– Margin financing	2,189	2,033
	<hr/>	<hr/>
	111,143	124,126
	<hr/>	<hr/>
	191,422	218,238
	<hr/> <hr/>	<hr/> <hr/>
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Timing of revenue recognition		
A point in time	80,279	94,112
Over time	–	–
	<hr/>	<hr/>
	80,279	94,112
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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 2023				
Segment revenue – external	79,180	3,288	108,954	191,422
Segment results	669	(7,142)	(219,384)	(225,857)
Changes in fair value of:				
– investment properties				(3,029)
– financial assets at FVTPL				(14,037)
Property rental income				3,207
Share of results of an associate				(9,487)
Unallocated corporate income				3,425
Unallocated corporate expenses				(32,465)
Loss before taxation				(278,243)
	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 2022				
Segment revenue – external	92,943	2,074	123,221	218,238
Segment results	(7,724)	(34,319)	(172,842)	(214,885)
Changes in fair value of:				
– investment properties				(1,149)
– financial assets at FVTPL				(51,557)
Property rental income				1,875
Share of results of an associate				530
Unallocated corporate income				7,808
Unallocated corporate expenses				(88,185)
Loss before taxation				(345,563)

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 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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Hong Kong	112,244	125,295	2,665	2,580
Europe*	62,017	71,870	-	-
The United States of America	7,462	11,603	-	-
The PRC (excluding Hong Kong)	5,015	5,732	59,458	60,609
Australia	1,961	1,513	-	-
South America	232	8	-	-
Others*	2,491	2,217	-	-
	<u>191,422</u>	<u>218,238</u>	<u>62,123</u>	<u>63,189</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 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 2023 and 2022, 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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Fair value changes of:		
– investment properties	(3,029)	(1,149)
– financial assets at FVTPL	(14,037)	(51,557)
Loss on disposal of property, plant and equipment	(10)	(22)
Loss on early redemption of bond payable	(732)	–
	<u>(17,808)</u>	<u>(52,728)</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Impairment loss (recognised)/reversed on trade receivables arising from:		
– medical products and plastic toys business and trading of garments	395	(195)
– securities brokerage business	(7,064)	(29,726)
Impairment loss recognised on loan receivables	(285,397)	(288,239)
	<u>(292,066)</u>	<u>(318,160)</u>

5. INCOME TAX (EXPENSES)/CREDIT

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	–	–
The PRC Enterprise Income Tax (“EIT”)	(1,152)	2,444
	<u>(1,152)</u>	<u>2,444</u>
Deferred taxation:		
Current year	–	19,630
	<u>(1,152)</u>	<u>22,074</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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year has been arrived at after charging/(crediting):		
Salaries and allowances, including those of directors	26,694	25,511
Contributions to retirement benefit schemes, including those of directors	913	780
Total employee benefits expense, including those of directors	<u>27,607</u>	<u>26,291</u>
Auditor’s remuneration	710	710
Cost of inventories recognised as an expense	59,395	72,866
Depreciation of property, plant and equipment	1,723	5,070
Depreciation of right-of-use assets	<u>1,007</u>	<u>867</u>

7. DIVIDENDS

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2023 (2022: nil).

8. LOSS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <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>(279,466)</u>	<u>(367,073)</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>

Diluted loss per share for the years ended 31 December 2023 and 2022 were the same as basic loss per share as there were no potential ordinary shares in issue for the years ended 31 December 2023 and 2022.

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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	4,650	9,241
31 to 90 days	6,441	1,190
91-365 days	1,914	1,376
Over 365 days	<u>1,096</u>	<u>1,470</u>
	<u>14,101</u>	<u>13,277</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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Financial assets mandatorily at FVTPL:		
Listed securities held for trading:		
– Equity securities listed in Hong Kong	94,989	71,372
Unlisted equity fund	13,626	13,626
Unlisted debt securities	10,187	18,728
	<u>118,802</u>	<u>103,726</u>
Analysed for reporting purpose as:		
Current assets	105,176	90,100
Non-current assets	13,626	13,626
	<u>118,802</u>	<u>103,726</u>

The Group recorded a loss on fair value changes of financial assets at FVTPL for the year ended 31 December 2023 of approximately HK\$13.3 million (2022: a gain of approximately HK\$51.6 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	5,613	13,279
31 to 90 days	293	2,409
Over 90 days	7,308	1,035
	<u>13,214</u>	<u>16,723</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 2023 was approximately HK\$72.0 million, representing a decrease of approximately 15.9% over last year. The decline was mainly due to the overall economic downturn in 2023. Sales revenue from plastic toys decreased by approximately 2.6% for the year ended 31 December 2023 to approximately HK\$7.2 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\$3.3 million revenue for the year ended 31 December 2023 (2022: HK\$3.2 million), representing 1.7% of the total revenue of the Group. It was mainly contributed by the interest income from the margin client of HK\$2.2 million for the year ended 31 December 2023 (2022: HK\$2.0 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 2023 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 principally engages in money lending business in Hong Kong and is licensed money lender 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.

For loan receivables, the ECL was primarily estimated based on three key parameters, namely exposure at default (“**EAD**”), probability of default (“**PD**”), and loss given default (“**LGD**”). EAD is based on the gross carrying amount of the receivables as of 31 December 2023.

LGD is calculated by one minus recovery rate, where the recovery rate is estimated with available data in the Moody’s research paper and the collateral-to-loan ratio (if there is any collateral pledged to the loan, and its fair value could be provided by the management of the Company or could be estimated based on quoted price in an active market). For loan receivables that the management of the Company considered could not be recovered, no recovery was applied.

The key assumption and basis used in determining the ECL, market data (e.g. PD, LGD, Moody’s forecast) are in line with the credit risk of the subject in the future.

The adopted valuation method is a common and widely used approach to estimate the expected credit loss for receivables. While the expected credit losses should be measured as probability-weighted or expected loss amount, the method adopted considered both the expected probability of occurrence of loss event and the expected loss severity in the event of default based on historical data and market expectation.

As at 31 December 2023, 169 of loans were with impairment. As at 31 December 2023, demand letters were issued and no legal actions taken on the overdue loans with significant impairment. The management was in the course of reviewing the overdue loan. The management of the Company is of the view that the exercise of the collaterals would incur additional time costs and legal costs. In order to maintain the diversity of loan portfolios and customer relationship, our management would take the approach of negotiating with the customers in the first place before exercising the collaterals or taking legal actions.

Loans were allowed to be extended for one or two years. In response to the economic impact, we are of the view that the extension are fair and reasonable, followed normal market practice and hence the extensions were in the interests of the Company and the Shareholders as a whole.

The Group has persistently implemented internal policy in relation to the money lending business and remains sensitive in minimizing the credit risk it is exposed to. The internal policy are designed to meet the Group’s needs and to minimize the credit risks to which the Group is exposed to, and provide reasonable but not absolute assurance against losses.

The following internal policy of the initial loans and extending the loans are put in place:

Pre-Approval and credit review

Prior to grant of a loan to a borrower, the Group carries out credit risk assessment on the borrower, taking into account, among other things, the background and character of the borrowers, shareholders' background, character, and management capability (if any), purpose of the loan, value of collateral and guarantee (if any), where applicable, relevant public searches and the financial strength of the borrower, shareholder and guarantor.

Monitoring of loan recoverability

The Group closely reviews and monitors the loan repayment status subsequent to the drawdown of loans on a regular basis to ensure that loan repayments are punctual and past due accounts are handled efficiently. When there is 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.

Regarding the loan's extension, the credit assessment report would be prepared for the approval by the credit committee. The most updated information includes but not limited to the repayment record of the borrower, loan-to-value (the "LTV") of the collaterals and the identification proof of the borrower are obtained from the borrower. The credit committee members performed credit assessment based on the information as stated in the credit assessment report. First and foremost, the credit committee members considers the creditworthiness of borrowers by taking into account the total amount of repayment made by the borrowers, the timing of the interests repayment and the repayment plan.

The Company had performed the following detailed analysis and ongoing monitoring exercises in considering the approval of loan extension. We communicated with the borrower and enquired about additional information including but not limited to the reason for extension, use of borrowed funds and repayment plan etc.. With respect to the Secured Loans, the LTV of the collaterals were monitored on a quarterly basis within the tenor of the loan. By the time of loan extension, the LTV of the collaterals were further assessed. With respect to the Unsecured Loans, the enhanced due diligence regarding the repayment ability was performed including but not limited to obtaining the proof of source of income and the proof of net-worth such as bank statements.

The Company would demand the repayment of the outstanding interests due by the borrowers before the approval of extension of loans. The Company would negotiate with the borrowers to provide further guarantee/securities pledge so as to safeguard the benefits of the Company.

The management of the Company is of the view that the exercise of the collaterals would incur additional time costs and legal costs. In order to maintain the diversity of loan portfolios and customer relationship, our management would take the approach of negotiating with the customers in the first place before exercising the collaterals or taking legal actions.

As at 31 December 2023, the Group has 14 corporate customers which are private companies, and 155 individual customers.

Regarding to the loans granted without collaterals (the “**Unsecured Loans**”), the interest rate is ranged from 7% to 12%, which the higher end is comparatively better than that of loans granted with collaterals (the “**Secured Loans**”). As such, the interest received from the Unsecured Loans would have more contributions than that of Secured Loans to the Company’s loan interest income as a whole.

Besides, there was keen competition in the money lending market. In order to maintain our business in the market, the provision of unsecured loans would broaden the scope of our customer base which facilitate us to have a better mix of loan portfolios with a weighted balance of risk and return. Meanwhile, the company could also have better utilized the funds in our accounts so as to drive more business for the Company.

Moreover, the customer relationship was better managed by extending our money lending services to borrowers without collaterals. Our management is of the view that by providing a full scope of services, without limiting our scope of offering secured loans, the customer stickiness is significantly enhanced. This is one of our key strategies to secure our business with the recurring customers and maintain the volume of our loan portfolios.

The Company has complied with requirements set out in chapter 14 and/or 14A of the Listing Rules when it granted the loans or the loan extensions to each of the borrower(s), whose loan(s) was still outstanding as at 31 December 2023.

The following table sets forth details of the 20 borrowers in term of outstanding loan receivable as at 31 December 2023:

The 20 Borrowers

No.	The Name of Borrowers	Loss allowance (reversal of loss allowance) made in year 2023 <i>HK\$'000</i>	Loss allowance (reversal of loss allowance) made in year 2022 <i>HK\$'000</i>	Interest rate	The date when the loan was granted	Latest maturity date	Loan and interest receivables as at 31 Dec 2023 <i>HK\$'000</i>	Any collaterals and guarantee
1)	Corporate Customer A	9,617	16,365	8% p.a.	2016-10-31	2024-10-30	–	Personal guarantee
2)	Individual Customer A	8,758	22,160	8% p.a.	2016-04-20	2024-04-18	–	N/A
3)	Individual Customer B	22,747	612	8% p.a.	2016-06-22	2024-06-20	9,039	N/A
4)	Individual Customer C	22,294	144	8% p.a.	2016-06-23	2024-06-21	8,859	N/A
5)	Individual Customer D	22,294	406	8% p.a.	2016-06-23	2024-06-21	8,859	N/A
6)	Individual Customer E	22,275	100	8% p.a.	2016-06-28	2024-06-26	8,851	N/A

No.	The Name of Borrowers	Loss allowance (reversal of loss allowance) made in year 2023 HK\$'000	Loss allowance (reversal of loss allowance) made in year 2022 HK\$'000	Interest rate	The date when the loan was granted	Latest maturity date	Loan and interest receivables as at 31 Dec 2023 HK\$'000	Any collaterals and guarantee
7)	Individual Customer F	8,268	20,923	10% p.a.	2016-05-16	2024-05-14	–	N/A
8)	Individual Customer G	20,320	64	7% p.a.	2017-03-01	2024-02-28	8,075	N/A
9)	Individual Customer H	19,298	61	7% p.a.	2017-03-10	2025-03-09	7,669	N/A
10)	Individual Customer I	18,564	61	9% p.a.	2017-05-22	2024-05-21	18,082	N/A
11)	Individual Customer J	3,611	(5,243)	9% p.a.	2017-05-19	2024-05-18	10,668	N/A
12)	Individual Customer K	15,118	48	7% p.a.	2017-03-08	2025-03-07	6,008	N/A
13)	Individual Customer L	4,785	383	8% p.a.	2017-04-26	2024-04-25	15,142	N/A
14)	Individual Customer M	3,854	(4,777)	8% p.a.	2017-04-26	2024-04-25	11,291	N/A
15)	Individual Customer N	13,904	46	9% p.a.	2017-04-27	2024-04-26	5,524	N/A
16)	Individual Customer O	13,818	45	8% p.a.	2017-04-07	2024-04-06	5,490	N/A
17)	Individual Customer P	13,729	45	9% p.a.	2017-04-27	2024-04-26	5,455	N/A
18)	Individual Customer Q ¹	(9,932)	8,503	8% p.a.	2016-11-22	2024-05-21	9,021	N/A
19)	Individual Customer R	12,833	43	10% p.a.	2016-06-13	2024-06-12	5,098	N/A
20)	Individual Customer S	12,670	(3,921)	8% p.a.	2017-03-20	2025-03-19	5,034	N/A

Note 1 Negative amount of loss allowance represents the reversal of loss allowance made during the year.

Maturity profile of loan receivables

The following table sets forth the distribution of the remaining maturity as at 31 December 2023:

	As at 31 December 2022	
	Amount	
	HK\$'000	%
Within one year	141,870	12%
1 year to 5 years	1,058,840	88%
	<u>1,200,710</u>	<u>100%</u>

Note: The loan receivables with 1 year to 5 years were also receivable on demand

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.

FINANCIAL REVIEW

Consolidated revenue of the Group for the year ended 31 December 2023 was approximately HK\$191.4 million (2022: HK\$218.2 million), representing a decrease of approximately 12.3% over last year. The decrease in the consolidated revenue was mainly due to the decrease of medical products and plastic toys business, of which the decrement was HK\$13.8 million.

Gross profit margin of the Group for the year was approximately 69.0%, representing an increase of approximately 2.4 percentage points as compared to the gross profit margin of approximately 66.6% in the last year. Loss of the Group for the year ended 31 December 2023 was approximately HK\$279.4 million (2022: HK\$367.6 million) and loss for the year attributable to owners of the Company was approximately HK\$279.5 million (2022: HK\$367.1 million). The loss was mainly due to the impairment loss recognised on loan receivables of approximately HK\$285.4 million for the year ended 31 December 2023.

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 2023 decreased by approximately HK\$47.2 million to approximately HK\$127.8 million as compared to approximately HK\$175.0 million as at 31 December 2022. The Group has bond payable of approximately HK\$740.2 million (2022: HK\$789.7 million) as at 31 December 2023. As at 31 December 2023, the Group had net current assets of approximately HK\$1,108.0 million (31 December 2022: HK\$1,397.1 million) and a current ratio of approximately 6.7 (31 December 2022: 8.0). The Group's gearing ratio as at 31 December 2023 was approximately 172.9% (2022: 116.0%). 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 2023, 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 2023 of this announcement.

PLEDGE OF ASSETS

The Group did not have any pledged assets as at 31 December 2023.

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

EMPLOYEES AND REMUNERATION POLICIES

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 2023 (2022: nil).

EVENT AFTER THE REPORTING PERIOD

There is no significant event after the year ended 31 December 2023 and up to the date of this announcement.

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

During the year ended 31 December 2023, 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 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 as set out in Appendix C3 to the Listing Rules (the "Model Code").

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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	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 2023.

CORPORATE GOVERNANCE CODE

The Directors consider that the Company had complied with Corporate Governance Code (the “Code”) as set out in Appendix C1 to the Listing Rules throughout the year ended 31 December 2023.

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 2023.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code. 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 2023.

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 2023 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 ended 31 December 2023. 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 2023 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, 28 March 2024

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.