



Lerado Financial Group Company Limited
隆成金融集團有限公司

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



INTERIM REPORT
2016

INTERIM RESULTS

The Board of Directors (the “Board”) 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 2016, 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue		107,645	62,610
Gross proceeds from sale of held-for-trading investments		29,074	47,127
		136,719	109,737
Revenue	3	107,645	62,610
Cost of inventories and services		(67,215)	(55,338)
		40,430	7,272
Other income		9,516	4,989
Other gains and losses		(115,453)	626,155
Marketing and distribution costs		(3,356)	(3,668)
Research and development expenses		(615)	(1,235)
Administrative expenses		(39,974)	(33,707)
Share of result of an associate		(2,266)	–
Finance cost		(1,606)	(200)
(Loss) profit before taxation		(113,324)	599,606
Income tax credit (expense)	4	15,660	(103,231)
(Loss) profit for the period	5	(97,664)	496,375

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Continued)

For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Other comprehensive (expense) income			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising from translation		(1,114)	401
Total comprehensive (expense) income for the period		(98,778)	496,776
(Loss) profit for the period attributable to:			
– Owners of the Company		(96,981)	496,375
– Non-controlling interests		(683)	–
		(97,664)	496,375
Total comprehensive (expense) income for the period attributable to:			
– Owners of the Company		(98,095)	496,776
– Non-controlling interests		(683)	–
		(98,778)	496,776
		HK cents	HK cents (restated)
(Loss) earnings per share	7		
– basic		(12.63)	261.31
– diluted		(12.63)	261.25

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	101,335	110,010
Prepaid lease payments		14,270	14,767
Investment properties	8	44,819	32,542
Goodwill	9	31,600	42,918
Investment in an associate		13,273	7,539
Available-for-sale investments		5,850	5,968
Deposits paid for acquisition of an additional interest in an available-for-sale investment	8	5,977	–
Deposits paid for acquisition of property, plant and equipment	8	103,352	103,352
Deposits paid for acquisition of a subsidiary	21	3,880	–
Statutory deposits placed with clearing house		230	272
		324,586	317,368
Current assets			
Inventories		29,895	34,303
Trade and other receivables and prepayments	10	373,674	161,278
Loans receivables	10	390,210	–
Prepaid lease payments		410	419
Held-for-trading investments	11	460,000	511,765
Tax recoverables		234	–
Bank balances held in an escrow account		–	34,998
Bank balances – trust and segregated accounts		72,429	463,015
Bank balances (general accounts) and cash		380,563	894,934
		1,707,415	2,100,712

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2016

	<i>Notes</i>	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Current liabilities			
Trade and other payables and accruals	12	161,353	524,261
Taxation payable		15,938	26,157
Borrowings	13	11,016	11,540
Derivative financial instruments		–	285
		188,307	562,243
Net current assets		1,519,108	1,538,469
Total assets less current liabilities		1,843,694	1,855,837
Capital and reserves			
Share capital	14	383,871	383,871
Reserves		1,291,981	1,390,759
Total equity		1,675,852	1,774,630
Non-current liabilities			
Deferred tax liabilities		63,416	81,207
Bond	13	104,426	–
		167,842	81,207
Total equity and non-current liabilities		1,843,694	1,855,837

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
At 1 January 2015 (audited)	76,068	116,256	38,510	62,366	9,256	20	1,270	329,120	632,866	-	632,866
Profit for the period	-	-	-	-	-	-	-	496,375	496,375	-	496,375
Exchange differences arising from translation	-	-	-	-	401	-	-	-	401	-	401
Total comprehensive income for the period	-	-	-	-	401	-	-	496,375	496,776	-	496,776
Exercise of share options	4,800	29,550	-	-	-	(5,933)	-	-	28,417	-	28,417
Recognition of equity settled share-based payments	-	-	-	-	-	9,269	-	-	9,269	-	9,269
Share options lapsed during the period	-	-	-	-	-	(1)	-	1	-	-	-
New shares issued as consideration for acquisition of assets through acquisition of subsidiaries	7,600	35,813	-	-	-	-	-	-	43,413	-	43,413
New shares issued as consideration for acquisition of subsidiaries	7,500	43,500	-	-	-	-	-	-	51,000	-	51,000
At 30 June 2015 (unaudited)	95,968	225,119	38,510	62,366	9,657	3,355	1,270	825,496	1,261,741	-	1,261,741
Loss for the period	-	-	-	-	-	-	-	90,440	90,440	(91)	90,349
Exchange differences arising from translation	-	-	-	-	(2,886)	-	-	-	(2,886)	-	(2,886)
Revaluation gain on land and building classified as property, plant and equipment	-	-	-	4,641	-	-	-	-	4,641	-	4,641
Recognition of deferred tax liability arising on revaluation gain on land and buildings	-	-	-	(857)	-	-	-	-	(857)	-	(857)
Total comprehensive income (expense) for the period	-	-	-	3,784	(2,886)	-	-	90,440	91,338	(91)	91,247
Share options lapsed during the period	-	-	-	-	-	(14)	-	14	-	-	-
Issued of shares upon open offer net of transaction costs	287,903	133,739	-	-	-	-	-	-	421,642	-	421,642
At 31 December 2015 (audited)	383,871	358,858	38,510	66,150	6,771	3,341	1,270	915,950	1,774,721	(91)	1,774,630
Profit for the period	-	-	-	-	-	-	-	(96,981)	(96,981)	(683)	(97,664)
Exchange differences arising from translation	-	-	-	-	(1,114)	-	-	-	(1,114)	-	(1,114)
Total comprehensive income for the period	-	-	-	-	(1,114)	-	-	(96,981)	(98,095)	(683)	(98,778)
At 30 June 2016 (unaudit)	383,871	358,858	38,510	66,150	5,657	3,341	1,270	818,969	1,676,626	(774)	1,675,852

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities:		
Decrease (increase) in inventories	3,581	(6,146)
Increase in trade and other receivables and prepayments	(212,575)	(47,336)
Decrease in trade and other payables and accruals	(331,240)	(11,392)
Increase in held-for-trading investments	(52,787)	(70,241)
Decrease in bank balances		
– trust and segregated accounts	390,586	–
Increase in loan receivables	(390,120)	–
Other operating cash flows	(5,419)	(17,502)
	(597,974)	(152,617)
Net cash used in investing activities:		
Deposit paid for acquisition of an additional interest in an available-for-sale investment	(5,977)	–
Purchases of property, plant and equipment	(4,213)	(348)
Capital injection in an associate	(4,000)	–
Deposit paid for acquisition of a subsidiary	(3,880)	–
Other investing cash flows	(1,749)	(28,125)
Deposit paid for acquisition of property, plant and equipment	–	(103,352)
Acquisition of assets through acquisition of subsidiaries	–	3,306
Acquisition of subsidiaries	–	247
	(19,819)	(128,272)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Net cash from financing activities:		
Proceeds from issue of bonds, net of issue costs	104,207	–
Increase in bank overdraft	3	18
Repayment of bank borrowings	(527)	(96)
Proceeds from issue of shares upon exercise of share options	–	28,417
	103,683	28,339
Net decrease in cash and cash equivalents	(514,110)	(252,550)
Cash and cash equivalents at 1 January	894,934	796,969
Effect of foreign exchange rate changes	(261)	492
Cash and cash equivalents at 30 June, represented by		
Bank balances and cash	380,563	544,911
Bank overdrafts	(4,969)	(5,618)
	375,594	539,293

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“SEHK”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties, investment properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the Group's Executive Directors being the chief operating decision maker (the "CODM") for the purposes of resources allocation and assessment of segment performance. The Group is currently organised into the following four operating and reportable segments:

Medical products and plastic toys business	Manufacturing and distribution of medical care products and plastic toys
Trading of garments	Trading of garments accessories, such as nylon type, polyester and polyester string
Securities brokerage business	Securities brokerage, margin financing and underwriting and placements
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	
	2016	2015
	HK\$'000	HK\$'000
Medical products	42,918	51,395
Plastic toys	12,534	10,120
Sales of garment accessories	14,149	1,095
Fee and commission income	28,987	-
Interest income from loan receivables	9,057	-
	107,645	62,610

The following is an analysis of the Group's revenue and result by reportable and operating segment:

	Medical products and plastic toys business HK\$'000	Trading of garments HK\$'000	Securities brokerage business HK\$'000	Money lending business and other financial services HK\$'000	Consolidated HK\$'000
For the six months ended 30 June 2016					
Segment revenue – external	55,452	14,149	28,987	9,057	107,645
Segment results	(13,741)	(10,715)	12,152	7,171	(5,133)
Change in fair value of:					
– held-for-trading investment					(104,552)
– derivative financial instruments					53
Property rental income					805
Share of loss of an associate					(2,266)
Unallocated corporate income					336
Unallocated corporate expenses					(2,567)
Loss before taxation					(113,324)
	Medical products and plastic toys business HK\$'000	Trading of garments HK\$'000	Securities brokerage business HK\$'000	Money lending business and other financial services HK\$'000	Consolidated HK\$'000
For the six months ended 30 June 2015					
Segment revenue – external	61,515	1,095	–	–	62,610
Segment results	(29,440)	97	–	–	(29,343)
Change in fair value of held-for-trading investments					626,518
Property rental income					1,469
Unallocated corporate income					2,006
Unallocated corporate expenses					(1,044)
Profit before taxation					599,606

4. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Current tax:		
Hong Kong	2,069	16
The People's Republic of China ("the PRC") Enterprise Income Tax	62	186
Other jurisdictions	–	44
	2,131	246
Deferred tax:		
Current year	(17,791)	102,985
Income tax (credit) expense	(15,660)	103,231

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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.

Corporate Income Tax in Taiwan is charged at 17% for both periods.

Taxation arising in other jurisdictions was calculated at the rates prevailing in the relevant jurisdiction.

5. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
(Loss) profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	2,946	2,397
Amortisation of prepaid lease payments	208	221
(Gain) loss on disposal of property, plant and equipment	(15)	17
Fair value change of held-for-trading investment (included in other gains and losses)	104,552	(626,518)
Impairment loss on goodwill (included in other gains and losses)	11,318	–
Exchange (gain) loss (included in other gains and losses)	(132)	346
Reversal of inventories to net realised value	–	(626)
Reversal of allowance of trade and other receivables	–	(599)
Direct write-off of inventories	–	783
Bank interest income	(719)	(1,875)
Finance cost		
– Bank overdrafts and loans	244	200
– Bond	1,362	–
Property rental income net of negligible outgoing expenses	(805)	(1,469)

6. DIVIDENDS

No dividends were paid, declared or prepared during both interim periods.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: nil).

7. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000 (restated)
(Loss) profit for the period attributable to owners of the Company, for the purpose of basic and diluted (loss) earnings per share	(96,981)	496,375
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	767,741,379	189,953,756
Effect of dilutive potential ordinary shares in respect of share options	-	45,859
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	767,741,379	189,999,615

For the six months ended 30 June 2016, the weighted average number of ordinary shares has been adjusted for the effect of the Open Offer of shares of the Company that was completed on 21 December 2015, details refer to note 15 to the consolidated financial statements in the annual report for the year ended 31 December 2015.

On 15 August 2016, the Company completed a share consolidation which involve the consolidation of every five shares of HK\$0.1 each into one consolidated share of HK\$0.5 each ("Consolidated Shares"). For the six months ended 30 June 2016 and 2015, the weighted average number of ordinary shares has been adjusted for the effect of the share consolidation.

The computation of diluted loss per share for the six months ended 30 June 2016 does not assume the exercise of the Company's options as the exercise would result in a decrease in loss per share.

8. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND DEPOSITS PAID FOR ACQUISITION OF AN ADDITIONAL INTEREST IN AN AVAILABLE-FOR-SALE INVESTMENT

Property, plant and equipment

During the current interim period, in view of the market situation, the directors of the Company (the “Director(s)”) decided to change the use of certain land and building for earning rental income. Accordingly, these properties were transferred from the category of property, plant and equipment to the category of investment properties. The fair values of these properties as at 31 December 2015 were determined by an independent professional valuer using direct comparison approach. In the opinion of the directors of the Company, the fair values of these properties as at the date of transfer does not differ from the revalued amounts as at 31 December 2015. Consequently, these properties were transferred to investment properties at HK\$9,734,000.

In the opinion of the Directors, the aggregate carrying amount of the Group’s leasehold land and buildings as at the end of the current interim period that is carried at revalued amounts does not differ significantly from their estimated fair value. Consequently, no revaluation surplus or deficit has been recognised in the current interim period.

Investment properties

The Group’s investment properties as at 30 June 2015 and 31 December 2015 were fair-valued by an independent property valuer not connected with the Group, upon the acquisition of assets and subsidiaries (detailed in notes 16 and 17 respectively). The fair values of the investment properties were determined based on the direct comparison approach that reflects recent comparable prices for similar properties, mainly adjusted for difference in the nature, location and condition of the investment properties under review.

In the opinion of the Directors, the aggregate carrying amount of the Group’s investment properties as at the end of the current interim period does not differ significantly from the fair value determined at respective dates of acquisition. Consequently, no fair value change has been recognised directly in profit or loss in the current interim period.

Deposits paid for acquisition of property, plant and equipment

On 15 April 2015 and 27 May 2015, a subsidiary of the Company, 駿勝世紀科技(深圳)有限公司(“駿勝世紀”), entered into various agreements (the “Property Agreements”) with an independent third party (the “Property Vendor”) to acquire 48 blocks of villa under development (the “Properties”) located at Dawa County of Liaoning Province, the PRC, on behalf of a subsidiary of the Company incorporated in Hong Kong at an aggregate consideration of RMB81,503,000 (equivalent to HK\$103,352,000) (the “Property Consideration”). The Group intended to develop the Properties as an elderly centre.

Pursuant to the Property Agreements, both 駿勝世紀 and the Property Vendor agreed that if the Properties constructed by the Property Vendor cannot fulfil certain criteria for operating as an elderly centre within 8 months after 27 May 2015, 駿勝世紀 has absolute discretion to demand the Property Vendor to repurchase the Properties at the Property Consideration plus certain amount of compensation as detailed in the announcement of the Company dated 28 May 2015.

The construction of the Properties is not yet complete in the current period. Up to the date of this interim report, the above transaction is not yet complete.

Deposit paid for acquisition of an additional interest in an available-for-sale investment

On 31 March 2016, the Company entered into the various agreements (the “Agreements”) with the vendors to purchase 20,500,000 shares of 杭州錢內助金融信息服務有限公司 (the “Target Company”), at the consideration of RMB32,800,000 (equivalent to HK\$38,376,000). As at 30 June 2016, the Group paid a deposit of RMB5,000,000 (equivalent to HK\$5,977,000).

As at 30 June 2016, the Group holds 10% of the issued share capital of the Target Company and is classified as an available-for-sale investment. Upon completion of the acquisition, the Group will hold 51% of the issued share capital of the Target Company. Up to the date of this interim report, the above transaction is not yet complete as the condition set out in the Company’s announcement on 31 March 2016 has not been satisfied.

9. GOODWILL

HK\$'000

Cost

At 1 January 2015	–
Arising on an acquisition of subsidiaries	42,918

At 31 December 2015 and 30 June 2016 42,918

Impairment

At 1 January 2015 and 31 December 2015	–
Impairment loss recognised in the current period	11,318

At 30 June 2016 11,318

Carrying Amounts

At 30 June 2016 31,600

At 31 December 2015 42,918

For the purposes of impairment testing, goodwill with indefinite useful lives have been allocated to two individual cash generating units (CGUs), comprising one subsidiary engaged in trading of garments and one subsidiary engaged in securities brokerage business. The carrying amounts of goodwill allocated to these units are as follows:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Trading of garments	30,000	41,318
Securities brokerage business	1,600	1,600
	31,600	42,918

As at 31 December 2015, the management of the Group determines that there are no impairments of any of the above CGUs containing goodwill. For the six months ended 30 June 2016, as the financial performance of the trading of garments CGU is less optimistic than previously forecasted, the management of the Group assessed the cash flow projections of the trading of garments CGU. As the recoverable amount of the trading of garments CGU based on value in use calculation is less than the carrying amount, an impairment loss of HK\$11,318,000 was recognised in goodwill during the current interim period.

The calculation for the trading of garments CGU use cash flow projection covering a 5-year period and discount rate of 12.6% (31 December 2015: 12.5%). The cash flows beyond the 5-year period are extrapolated at a growth rate of 4% (31 December 2015: ranged from 6% to 15%). Cash flow projection during the 5-year period is based on the budgeted sales and expected gross margins and the inflation on cost of sales and expenses during the projection period. Expected cash inflows/outflows, which included budgeted sales, gross margin and inventories price inflation have been determined based on past performance and management's expectations for the market development. The cash flow projections are from the most recent financial budget approved by the management of the Group.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND LOANS RECEIVABLES

Trade and other receivables and prepayments

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Trade receivable arising from:		
Medical products and plastic toys business and trading of garments (<i>Note a</i>)	41,425	42,519
Less: allowance for doubtful debts	(987)	(3,185)
	40,438	39,334
Trade receivables arising from securities brokerage business (<i>Note b</i>):		
– Cash clients	105	9,945
– Margin clients	258,716	43,858
– Clearing house	729	162
Total trade receivables	299,988	93,299
Purchase deposits, other receivables and deposit	71,080	63,579
Prepayments	2,606	4,400
Total trade and other receivables and prepayments	373,674	161,278

Notes:

- (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 2016 HK\$'000	31 December 2015 HK\$'000
Within 30 days	12,327	12,064
31 to 90 days	11,109	6,722
Over 90 days	17,002	20,548
	40,438	39,334

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 receivable from cash clients and securities clearing house are two days after trade date.

Included in the trade receivables from cash clients are debtors with the aggregate carrying amount of HK\$10,000 (31 December 2015: HK\$8,783,000) which have been past due but the Directors consider that no impairment is required as there has not been a significant change in credit quality and a substantial portion of the carrying amount is subsequently settled after the end of the reporting periods.

In respect of trade receivables from cash clients which are past due but not impaired at the end of both reporting periods, all of them are aged within 30 days (from settlement date).

The trade receivables from cash clients with a carrying amount of HK\$95,000 (31 December 2015: HK\$1,162,000) are neither past due nor impaired at the end of the reporting period and the Directors are of the opinion that the amounts are recoverable.

Trade receivable from margin clients amounting to HK\$258,716,000 (31 December 2015: HK\$43,858,000) as at 30 June 2016 are secured by clients' pledged securities with fair value of HK\$971,851,000 (31 December 2015: HK\$3,197,000,000). All of the pledged securities are listed equity securities in Hong Kong. The loans are repayable on demand subsequent to settlement date and carry interest on Hong Kong Prime rate plus margin of 3% (31 December 2015: range from 3% to 7%) per annum. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collateral held can be sold at the Group's discretion to settle any outstanding amount owed by margin clients. 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

As at 30 June 2016, 64% and 6% of the loan receivables from the money lending business are secured by pledged of assets and personal guarantee, respectively. The total amounts are repayable within one year from the end of the reporting period. The range of interest rate is 5%-19% per annum.

Included in loans receivables are debtors with the aggregate carrying amount of HK\$3,000,000 which have been past due but the Directors consider that no impairment is required as there has not been a significant change in credit quality. In respect of loans receivables which are past due but not impaired at the end of the reporting period are all aged within 180 days (from maturity date).

The remaining amounts that are neither past due nor impaired at the end of the reporting period and the Directors are of the opinion that the amounts are recoverable.

11. HELD-FOR-TRADING INVESTMENTS

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Equity securities listed in Hong Kong	458,700	511,765
Debt securities traded in Hong Kong	1,300	–
	460,000	511,765

	The fair value of the held-for- trading investments as at 29 August 2016* HK\$'000	The fair value of the held-for- trading investments as at 30 June 2016 HK\$'000	The fair value of the held-for- trading investments as at 31 December 2015 HK'000
China Jicheng Holdings Limited (“CJHL”)	349,097	303,241	405,308
Others	138,637	156,759	106,457
	487,734	460,000	511,765

* The figures are for illustration purpose only. In order to illustrate the fair value change of the held-for-trading investments of the Group as at 30 June 2016, the number of shares held in these investments as at 29 August 2016 are assumed remain unchanged as at 30 June 2016.

CJHL is principally engaged in the manufacturing and sale of POE umbrellas and nylon umbrellas and umbrella parts such as plastic cloth and shaft to its customers.

The Group has recorded a loss on fair value changes of held for trading investments for the six months ended 30 June 2016 of approximately HK\$104.6 million (2015: gain on fair value changes of HK\$626.5 million) which was mainly arise from the loss on fair value change of investment in CJHL of approximately HK\$102.1 million. However, the fair value of the held-for-trading investments as at 30 June 2016 on 29 August 2016 has increased by 6.0%.

The fair value of measurement of the Groups 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.

12. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Trade payables arising from medical products and plastic toys business and trading of garments	26,067	24,962
Trade payables arising from securities brokage business		
– Cash clients	54,040	101,008
– Margin clients	49,217	364,575
– Clearing house	–	653
Total trade payables	129,324	491,198
Accrued expenses	3,044	1,531
Other payables	28,985	31,532
	161,353	524,261

The following is an 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 2016 HK\$'000	31 December 2015 HK\$'000
Within 30 days	9,899	12,520
31 to 90 days	11,633	6,960
Over 90 days	4,535	5,482
	26,067	24,962

13. BORROWINGS/BOND

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Bank overdrafts	4,969	4,966
Bank loans	6,047	6,574
	11,016	11,540
Bond	104,426	–
	115,442	11,540
Less: Amounts due within one year shown under current liabilities	(11,016)	(11,540)
Amounts shown under non-current liabilities	104,426	–

For the current interim period, the Company issued bonds with an aggregate principal amount of HK\$113,700,000. Transaction costs attributable to the issuance of the bond amounted to approximately HK\$9,493,000. The bond is unsecured with maturity date falling on the eighth anniversary of the issue date. The interest rate of the bond is fixed at 6% per annum and the interest is paid annually. The Company may at any time before the maturity date to redeem the bond. In the opinion of the Directors, the value of the early redemption option is insignificant.

For the six months ended 30 June 2015, the Group acquired bank borrowings through the acquisition of subsidiaries as detailed in note 17. The fixed interest rates of the borrowings ranged from 2.2% to 4.5% per annum. All of the bank borrowings were held with repayable on demand clause.

As at 30 June 2016, the Group's bank borrowing of (1) HK\$4,961,000 (2015: HK\$5,221,000) are secured by the Group's investment properties with fair value of HK\$6,450,000 and personal guarantee provided by a director of a subsidiary of the Company, (2) HK\$4,886,000 (2015: HK\$4,909,000) are secured by personal guarantee and properties owned by a director of a subsidiary of the Company, and (3) HK\$1,169,000 (2015: HK\$1,410,000) are secured by personal guarantee provided by a director of a subsidiary of the Company and guarantee provided by the Government of the Hong Kong Special Administrative Region.

14. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2015, 30 June 2015, 31 December 2015 and 30 June 2016	1,000,000,000	100,000
Issued and fully paid:		
At 1 January 2015	760,676,724	76,068
Exercise of share options	48,000,000	4,800
New shares issued as consideration for the acquisition of assets through acquisition of subsidiaries (<i>Note 16</i>)	76,000,000	7,600
New shares issued as consideration for the acquisition of subsidiaries (<i>Note 17</i>)	75,000,000	7,500
At 30 June 2015	959,676,724	95,968
Issued of shares upon the Open Offer (<i>Note</i>)	2,879,030,172	287,903
At 31 December 2015 and 30 June 2016	3,838,706,896	383,871

Note: The Open Offer resulting in gross proceeds of approximately HK\$431,855,000 to the Company. Transaction costs attributable to the Open Offer amounted to approximately HK\$10,213,000.

15. SHARE OPTIONS

The following table discloses movements in the Company's share options to employees and consultants during the six months ended 30 June 2016:

Date of grant	Number of shares subject to share options				Outstanding at 30 June 2016
	Outstanding at 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period	
18 January 2012 (Batch I)	34,560	-	-	-	34,560
18 January 2012 (Batch II)	34,560	-	-	-	34,560
12 February 2015	31,104,000	-	-	-	31,104,000
Total	31,173,120	-	-	-	31,173,120
Exercisable at the end of period					<u>31,173,120</u>

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Adjusted exercise price with effect to price Open Offer HK\$
18 January 2012 (Batch I)	12 months	18 January 2013 – 17 January 2017	0.77	0.668
18 January 2012 (Batch II)	24 months	18 January 2014 – 17 January 2017	0.77	0.668
12 February 2015	N/A	12 February 2015 – 11 February 2017	0.592	0.514

For the six months ended 30 June 2015, share option expense of HK\$9,269,000 (2016: nil) was recognised in profit or loss.

16. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 31 March 2015, a wholly-owned subsidiary of the Company entered into an agreement with China Investment and Finance Group Limited ("CIFG"), an independent third party of the Group and a company listed on the Main Board of the SEHK, to purchase the entire issued share capital of Garron International Strategic Limited, a wholly-owned subsidiary of CIFG for cash consideration of HK\$1,000,000 and issuance and allotment of 76,000,000 ordinary shares of the Company. The transaction was completed on 17 April 2015. The amounts recorded in the share capital and share premium of the Company were determined based on the fair value of the property, plant and equipment and investment properties at the completion date of transaction.

Fair value of assets and liabilities recognised at the date of acquisition:

	HK\$'000
Net assets acquired:	
Property, plant and equipment	10,955
Investment properties	29,365
Other receivables	2
Bank balances and cash	4,306
Other payables	(215)
	<hr/>
Net assets	44,413
Satisfied by:	
Cash consideration paid	1,000
Ordinary shares issued	43,413
	<hr/>
	44,413
Net cash inflow arising on acquisition:	
Consideration paid in cash	(1,000)
Less: Bank balances and cash acquired	4,306
	<hr/>
	3,306
	<hr/>

17. ACQUISITION OF SUBSIDIARIES

On 26 May 2015, the Company entered into an agreement (the “Acquisition Agreement”) with China Automotive Interior Decoration Holdings Limited (“CAID”), an independent third party of the Group and a company listed on the Main Board of SEHK, to purchase the entire issued share capital of Oriental Strategic Limited (“OSL”), a wholly-owned subsidiary of CAID by issuance and allotment of 75,000,000 ordinary shares of the Company. The transaction was completed on 16 June 2015 (the “Acquisition Date”).

OSL and its wholly-owned subsidiary (“OSL Group”) are principally engaged in trading of garment accessories, such as nylon tape, polyester tape and polyester string, which is mainly carried out by the wholly-owned subsidiary of OSL.

Pursuant to the Acquisition Agreement, CAID warrants and represents to the Group that for the period from 1 April 2014 to 30 September 2015, the consolidated net profit after tax of OSL Group shall not be less than HK\$4 million (“Warrants”). Based on completion account for the period from 1 April 2014 to 30 September 2015, the consolidated net profit after tax of OSL Group was more than HK\$4 million and thus no compensation was received by the Group related to the Warrants.

Assets and liabilities recognised at the Acquisition Date:

	HK\$'000
Current assets	
Trade and other receivables (net of allowance of HK\$2,178,000)	19,725
Bank balances and cash	247
	<hr/> 19,972
Non-current asset	
Investment properties	6,106
	<hr/>
Current liabilities	
Trade and other payables	4,055
Bank loans	6,248
Bank overdraft	5,600
Tax payable	68
Derivative financial instruments	425
	<hr/> 16,396
	<hr/>
Net assets acquired	9,682
	<hr/>

The receivables acquired (principally comprised of trade receivables with a fair value of HK\$13,671,000 at the Acquisition Date with gross contractual amounts of HK\$15,849,000 and net of allowance of doubtful debt HK\$2,178,000). All of the contractual cash flows are expected to be collected.

Goodwill arising on acquisition:

	HK\$'000
Fair values of ordinary shares issued determined based on the market value on 16 June 2015	51,000
Less: recognised amount of identifiable net assets acquired	(9,682)
<hr/>	
Goodwill arising on acquisition	41,318
<hr/>	
Net cash inflow arising on acquisition	
Bank balances and cash acquired	247
<hr/>	

Goodwill arose on the acquisition of OSL Group because of expected synergies, revenue growth and future market development in the garment business.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Had the acquisition been completed on 1 January 2015, total group revenue for the six months ended 30 June 2015 would have been HK\$79,996,000, and profit for the six months ended 30 June 2015 would have been HK\$496,635,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

18. RELATED PARTY DISCLOSURES

During the current interim period, the Group had transactions with a related party. The transactions during the current interim period are as follows:

(a) Transactions with a related party:

Name of party	Interested directors	Nature of transaction	Six months ended 30 June	
			2016 HK\$'000	2015 HK\$'000
Yojin Industrial Corporation	Mr. Huang Ying Yuan (<i>Note i</i>) Mrs. Huang Chen Li Chu (<i>Note i</i>)	Rental expenses paid by the Group (<i>Note ii</i>)	7	8

(b) Compensation of key management personnel

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

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Short-term employee benefits	4,541	2,623

The remuneration of directors was decided by the board of directors, which is reviewed by the Remuneration Committee, having regard to the performance of the individuals and market trends.

Notes:

- i. Both Mr. Huang Ying Yuan and Mrs. Huang Chen Li Chu are the controlling shareholders of Yojin Industrial Corporation and have beneficial interests with significant influence in the Company.
- ii. The rentals were charged in accordance with the terms of the relevant tenancy agreement agreed by both parties.

The above related party transactions constitutes exempted connected transactions or continuing connected transactions as defined under Chapter 14A of the Rules Governing the Listing of Securities on the SEHK.

19. CONTINGENT LIABILITIES

As at 30 June 2016, the Company and its subsidiaries, together with certain Disposed Subsidiaries, are in litigations with two independent third parties. The Company entered into the S&P Agreement (details refer to note 10 to the consolidated financial statements in the annual report for the year ended 31 December 2015), pursuant to which the Company agrees to indemnify the Buyer against all losses and claims incurred by the Disposed Subsidiaries in connection with the two litigations described below.

- (i) During the year ended 31 December 2013, the Company, a wholly-owned subsidiary and certain Disposed Subsidiaries have been named as defendants in a United States District Court action in respect of an alleged breach of contractual undertakings for an amount of US\$2,222,000 (equivalent to HK\$17,333,000). The next trial date has been set on 6 February 2017. The Directors, after considering that this litigation is in its early stage and the outcome of the proceedings is uncertain, are of the opinion that no provision for any potential liability should be made in these condensed consolidated financial statements.
- (ii) During the year ended 31 December 2014, the Company, two of its wholly-owned subsidiaries and two of the Disposed Subsidiaries have been named as joint defendants together with, among others, Baby Trend, Inc. in a United States District Court on the alleged faulty design in a car seat manufactured by the Company under the contract for Baby Trend, Inc. The next trial date has been set on 24 April 2017. The Directors, after considering that this litigation is in its early stage and the outcome of the proceedings is uncertain, are of the opinion that no provision for any potential liability should be made in these condensed consolidated financial statements.

20. COMMITMENTS

As at the end of the current interim period, the Group has the following commitment:

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

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Commitment for the acquisition of an additional interest in an available-for-sale investment	32,399	–
Commitment for the acquisition of a subsidiary	34,793	–
	67,192	–

21. EVENT AFTER THE REPORTING PERIOD

- (i) On 19 April 2016, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party of the Group to purchase the entire issued share capital of Creative Wisdom Limited for a cash consideration HK\$38,673,000. As at 30 June 2016, the Group paid a deposit of HK\$3,880,000. The transaction was completed on 26 July 2016.

Assets and liabilities recognised at the date of acquisition:

	HK\$'000
Net assets acquired:	
Investment properties	38,800
Other receivables	29
Accrual and other payables	(156)
<hr/>	
Net assets acquired	38,673
<hr/>	
Net cash outflow arising on acquisition:	
Consideration paid in cash	(38,673)
Less: Deposits paid	3,880
<hr/>	
Net cash outflow after 30 June 2016	(34,793)
<hr/>	

- (ii) On 15 August 2016, the Company completed a share consolidation which involve the consolidation of every five shares of HK\$0.1 each into one consolidated share of HK\$0.5 each.

Further to the share consolidation, the Company announced an issue of shares at a price of HK\$0.20 per share on the basis of two shares for every one Consolidated Share then held by the qualifying shareholders on the record date and payable in full on the acceptance ("Rights Issue") as detailed disclosed in the announcement of the Company dated on 29 June 2016.

The Rights Issue has not yet completed up to the date of this report and is subject to, among other things, the fulfillment of the conditions set out in the announcement of the Company dated 24 August 2016.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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TO THE MEMBERS OF LERADO FINANCIAL GROUP COMPANY LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Lerado Financial Group Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 1 to 30, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Medical Products and Plastic Toys Business

For the medical products and plastic toy business, Europe became the largest export market of this segment. Sales revenue from European customers decreased by 23.4% for the six months ended 30 June 2016 to HK\$24.4 million, representing 44.0% of the total revenue from medical products and plastic toys business. Revenue from US customers increased by 3.4% for the six months ended 30 June 2016 to HK\$17.1 million, accounting for 30.7% of the total revenue from medical and plastic toys business.

In terms of products, sales revenue from medical products for the six months ended 30 June 2016 was HK\$42.9 million, representing a decrease of 16.5% over last period and accounted for 77.4% of the total revenue from medical products and plastic toys business. The decrease was mainly due to keen market competition for both powered and manual products and economic uncertainty resulted from the Brexit. Sales revenue from plastic toys increased by 23.9% for the six months ended 30 June 2016 to HK\$12.5 million mainly due to the increase in orders from PRC customers.

Securities Brokerage, Margin Financing, Underwriting and Placements

Securities brokerage, margin financing, underwriting and placements business has generated HK\$29.0 million revenue during the six months period ended, representing 27% of the total revenue of the Group and such business has become one of the main sources of income for the Group. It was because the Company's open offer has been completed in December 2015 and the Directors have kept the proactive approach in expanding the securities brokerage business by utilizing the proceed from the open offer.

As such, Black Marble Securities Limited has actively acted as underwriters and placing agents for the listed companies in fund-raising activities in the past months. Margin financing is also made available to margin clients in leveraging their investments, the Group's margin client receivable has increased from HK\$43.9 million as at 31 December 2015 to HK\$258.7 million as at 30 June 2016, and the client base has expanded to approximately 522 clients, out of which approximately 246 are margin financing clients.

Money Lending

For the six months ended 30 June 2016, the Group continued with its money lending business in providing secured and unsecured loans to customers comprising individuals and corporations. The Group has generated HK\$9.1 million interest income for the period ended and Directors are of the view that such business will keep contribute the income stream of the Group and would become one of the main sources of income for the Group.

Sales of Garment Accessories

Since June 2015, the Group diversified into the business of the sales of garment accessories and it has generated HK\$14.1 million revenue for the period, representing 13.1% of the total revenue of the Group. The business of trading of garment accessories continuously generated a stable income stream to the Group during the period.

PROSPECTS

The previous open offer aimed to expand the financial business sector of the Group. Since the previous open offer, Black Marble Securities has been actively participated in the securities market as underwriter and placing agent for Hong Kong listed companies and Black Marble Capital Limited has endeavoured to develop and expand the money lending business in Hong Kong, as a result the securities brokerage, margin financing, underwriting and placement services and the money lending business has become the main income stream of the Group.

The Directors believe that by taking a proactive approach in developing and diversifying the financial business sector of the Group will generate promising returns to the Shareholders in the future. In order to further expand the business, the Company will focus on the existing businesses and investment in securities market, 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 and aim at extending our financial businesses to the market of Mainland China. As such, the Company has proposed to raise approximately HK\$307.1 million before expenses by way of Rights Issues of 1,535,482,758 Rights Shares by the Company at the subscription price of HK\$0.20 per Rights Share on the basis of two Rights Shares for every one consolidated share held on the record date.

The proceeds are intended to be applied in the following manner:

- approximately HK\$150 million, representing approximately 49.8% of the net proceeds from the Rights Issue for seed capital investment for the proposed portfolio and operation of asset management business;
- approximately HK\$80 million, representing approximately 26.6% of the net proceeds from the Rights Issue for developing the finance lease business in the PRC; and
- approximately HK\$71 million, representing approximately 23.6% of the net proceeds from the Rights Issue for financing the operation of the Group's existing securities brokerage, margin financing and money-lending business.

Going forward, with a view to achieving better return and enhancing the expansion of the Group, the Group will keep expanding and developing the existing business and look for potential investment opportunities to diversify its business scope and leverage with the Group's financial sectors.

FINANCIAL REVIEW

Consolidated revenue for the six months ended 30 June 2016 was HK\$107.6 million (2015: HK\$62.6 million), representing an increase of 71.9% over the corresponding period last year. The increase in the consolidated revenue was mainly due to the new businesses carried out since July 2015, of which the contribution from the securities brokerage business was HK\$29.0 million (2015: nil) and from the money lending business was HK\$9.1 million (2015: nil).

Gross profit margin for the period was 37.6%, representing an increase of approximately 26 percentage points as compared to the gross profit margin of 11.6% in the corresponding period last year. It was mainly due to the securities brokerage business and the money lending business that the Group has commenced in July 2015 has a higher gross profit ratio than the medical products and plastic toys businesses.

Loss for the six months ended 30 June 2016 was HK\$97.7 million (2015: Profit for the period HK\$496.4 million) and loss for the period attributable to owners of the Company was HK\$97.0 million (2015: Profit for the period attributable to owners of the Company HK\$496.4 million). The decrease was mainly due to the loss on fair value changes of held-for-trading investments of HK\$104.6 million for the six months ended 30 June 2016 as compared to the gain on fair value changes of held-for-trading investments of HK\$626.5 million recorded for the six months ended 30 June 2015.

ACQUISITIONS OF ASSETS AND SUBSIDIARIES

On 31 March 2016, the company entered into the various agreements (the “Agreements”) with the vendors to purchase 20,500,000 shares of 杭州錢內助金融信息服務有限公司 (the “Target Company”), at the consideration of RMB32,800,000 (equivalent to HK\$38,376,000). As at 30 June 2016, the Group paid a deposit of RMB5,000,000 (equivalent to HK\$5,977,000). As at 30 June 2016, the Group holds 10% of the issued share capital of the Target Company and is classified as an available-for-sale investment. Upon completion of the acquisition, the Group will hold 51% of the issued share capital of the Target Company. Up to the date of this interim report, the above transaction is not yet complete.

On 19 April 2016, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party of the Group to purchase the entire issued share capital of Creative Wisdom Limited for a cash consideration HK\$38,673,000. As at 30 June 2016, the Group paid a deposit of HK\$3,880,000. The transaction was completed on 26 July 2016.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a conservative policy in its financial management and maintains a solid financial position.

During the period, the Group used HK\$598.0 million in its operating activities and HK\$19.8 million in its investing activities and had net cash inflow of HK\$103.7 million from financing activities. Cash and cash equivalents at 30 June 2016 decreased by HK\$514.4 million as compared to HK\$894.9 million as at 31 December 2015.

As at 30 June 2016, the Group's bank balances and cash, mainly denominated in Hong Kong dollar and US dollar, was HK\$380.6 million. The Group has bank borrowings of HK\$6.0 million (2015: HK\$6.2 million), bank overdrafts of HK\$5.0 million (2015: HK\$5.6 million) and bond payable of HK\$104.4 million (2015: nil) as at 30 June 2016.

As at 30 June 2016, the Group had net current assets of HK\$1,519.1 million (31 December 2015: HK\$1,538.5 million) and a current ratio of 9.1 (31 December 2015: 3.7). Average trade receivable turnovers and average inventory turnovers for the medical products and plastic toys business and trading of garments were 104 days (31 December 2015: 84 days) and 95 days (31 December 2015: 88 days) respectively. The Group's gearing ratio as at 30 June 2016 was 6.9% (2015: 0.65%).

SIGNIFICANT INVESTMENTS

At 30 June 2016, the Group held approximately 1,479.2 million shares (approximately 1.97%) of China Jicheng Holdings Limited ("CJHL") of fair value HK\$303.2 million representing 15% of the total assets of the Group as at 30 June 2016 (the "Significant Investments"). The shares of CJHL is listed on the Main Board of SEHK and is principally engaged in the manufacturing and sale of POE umbrellas and nylon umbrellas and umbrella parts such as plastic cloth and shaft to its customers. According to the CJHL's 2015 annual report, the Company believes that the prospect of CJHL is to further strengthen its leading market position and consolidate its competitive advantages in the industry, expanding production capacity, improving business development, and enhancing its research and development capabilities in order to match the increasing demand of the umbrella market and create higher values as well as bringing better return to their shareholders.

Except the Significant Investments held by the Group, there was no other held-for-trading investments held by the Group valued more than 5% of the total assets of the Group as at 30 June 2016. Going forward, the Directors consider the performance of the equities may remain susceptible to external market condition.

RESULT OF OPEN OFFER

On 17 August 2015, the Company proposed to raise gross proceeds of not less than HK\$431.9 million before expenses by issuing not less than 2,879,030,172 ordinary shares of HK\$0.10 each to the qualifying shareholders at a subscription price of HK\$0.15 per offer share by way of an open offer on the basis of three offer shares for every one existing share held on the record date (the “Open Offer”). On 21 December 2015, 2,879,030,172 ordinary shares were allotted and issued pursuant to the Open Offer. The net proceeds for the Open Offer were approximately HK\$421.6 million.

Up to the date of this report, proceeds from the Open Offer (i) for the HK\$288 million intended to be used in Black Marble Securities Limited; and (ii) for the HK\$117 million intended to be used in the money lending business, the Group has fully utilized as intended.

PLEDGE OF ASSETS

The bank borrowings were secured by personal guarantee and properties provided by a director of a subsidiary who is not a director of the Company, and guarantee provided by The Government of the Hong Kong Special Administrative Region under the Small and Medium Enterprise Loan Guarantee Scheme and charges over the Group’s investment property of approximately HK\$6.5 million (2015: HK\$6.5 million).

EXCHANGE RISK EXPOSURE

The Group’s monetary assets, liabilities and transactions are mainly denominated in US 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 30 June 2016, the Company and its subsidiaries, together with certain Disposed Subsidiaries, are in litigations with two independent third parties. The Company entered into the S&P Agreement (details refer to note 10 to the consolidated financial statements in the annual report for the year ended 31 December 2015), pursuant to which the Company agrees to indemnify the Buyer against all losses and claims incurred by the Disposed Subsidiaries in connection with the two litigations described below.

- (i) During the year ended 31 December 2013, the Company, a wholly-owned subsidiary and certain Disposed Subsidiaries have been named as defendants in a United States District Court action in respect of an alleged breach of contractual undertakings for an amount of US\$2,222,000 (equivalents to HK\$17,333,000). The next trial date has been set on 6 February 2017. The Directors, after considering that this litigation is in its early stage and the outcome of the proceedings is uncertain, are of the opinion that no provision for any potential liability should be made in these condensed consolidated financial statements.
- (ii) During the year ended 31 December 2014, the Company, two of its wholly-owned subsidiaries and two of the Disposed Subsidiaries have been named as joint defendants together with, among others, Baby Trend, Inc. in a United States District Court on the alleged faulty design in a car seat manufactured by the Company under the contract for Baby Trend, Inc. The next trial date has been set on 24 April 2017. The Directors, after considering that this litigation is in its early stage and the outcome of the proceedings is uncertain, are of the opinion that no provision for any potential liability should be made in these condensed consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Group employed a total workforce of around 300 staff members, of which about 230 worked in the PRC, about 10 in Taiwan 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 2016.

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

During the interim period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2016, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (“SFO”), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), as set out in Appendix 10 to the Rules Governing the Listing of Securities on the SEHK (the “Listing Rules”) were as follows:

Long positions in shares and underlying shares of the Company

Name of director	Number of shares held as				Approximate percentage of the issued share capital of the Company
	Beneficial owner	Spouse interest	Corporate interest	Total interests	
Mr. Huang Ying Yuan	11,864,000	4,936,000 <i>(Note 1)</i>	208,654,160 <i>(Note 2)</i>	225,454,160	5.87%
Mr. Mak Kwong Yiu	217,072,320	-	-	217,072,320	5.65%

Notes:

1. The spouse interest represents the shares held by the spouse of Mr. Huang Ying Yuan, Mrs. Huang Chen Li Chu.
2. The corporate interest represents the shares held by Intelligence Hong Kong Group Limited, which is controlled by Mr. Huang Ying Yuan and Mrs. Huang Chen Li Chu.

Other than as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations, which were recorded in the register maintained by the Company under section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code, as at 30 June 2016.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, 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 certain 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 substantial shareholder	Capacity	Number of shares	Approximate % of the issued share capital
Mr. David Michael Webb	Beneficial owner <i>(Note 1)</i>	330,231,970	8.60%
China Automotive Interior Decoration Holdings Limited	Beneficial owner <i>(Note 2)</i>	300,000,000	7.82%
Black Marble Securities Limited	Beneficial owner	1,331,011,686	34.67%
Black Marble Group (Hong Kong) Limited	Controlled corporation	1,331,011,686	34.67%
Black Marble Group Limited	Controlled corporation	1,331,011,686	34.67%
Lerado Financial Group Company Limited	Controlled corporation	1,331,011,686	34.67%

Note:

1. Mr. David Michael Webb beneficially owns 116,927,970 shares, and in addition he holds 213,304,000 shares through Preferable Situation Assets Limited, which is 100% directly owned by him.
2. China Automotive Interior Decoration Holdings Limited owns 300,000,000 shares through its wholly owned Link Excellent Limited.

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 2016.

CORPORATE GOVERNANCE CODE

The Directors consider that the Company has complied with Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2016, save for the deviations as stated below:

Code Provision A.2.1 – The roles of the chairman and the chief executive officer of the Company were not separated and were performed by Mr. Huang Ying Yuan for the period from 1 January 2016 to 31 March 2016 and by Mr. Mak Kwong Yiu for the period from 1 April 2016 to 30 June 2016 respectively.

The Directors meet regularly to consider major matters affecting the operations of the Group. As such, the Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of Group and believes that this structure will enable the Group to make and implement decisions promptly and efficiently.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the three Independent Non-executive Directors, 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 2016.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code. All Directors have confirmed, following specific enquiry by the Company, which they fully complied with the required standard as set out in the Model Code throughout the period.

PUBLICATION OF THE INFORMATION ON THE WEBSITES OF THE SEHK AND THE COMPANY

This interim results announcement is published on the websites of the SEHK at www.hkexnews.hk and the Company at www.lerado.com. The interim report of the Company for the six months ended June 30, 2016 will be dispatched to the Shareholders and published on the respective websites of the SEHK and the Company in due course.

On behalf of the Board
Lerado Financial Group Company Limited
Mak Kwong Yiu
Chairman

Hong Kong, 29 August 2016

As at the date of this report, the executive Directors are Mr. MAK Kwong Yiu (Chairman and Chief Executive Officer), Mr. HUANG Ying Yuan (Honorary Chairman), Mr. CHEN Chun Chieh, Mr. HUANG Shen Kai and Mr. LAI Kin Chung, Kenneth; and the independent non-executive Directors are Mr. LAM Chak Man, Mr. YE Jianxin, Mr. CHERN Shyh Feng and Mr. HSU Hong Te.