



Lerado Financial Group Company Limited

隆成金融集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1225)

2017

INTERIM REPORT



INTERIM RESULTS

The Board (the “Board”) of Directors (the “Directors”) of Lerado Financial Group Company Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2017, along with the comparative figures and selected explanatory notes, which are prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and have been reviewed by the audit committee of the Company (the “Audit Committee”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue		103,486	107,645
Gross proceeds from sale of held-for-trading investments		96,636	29,074
		200,122	136,719
Revenue	3	103,486	107,645
Cost of inventories and services		(42,298)	(67,215)
		61,188	40,430
Other income		8,845	9,516
Other gains and losses		(508,637)	(115,453)
Marketing and distribution costs		(1,765)	(3,356)
Research and development expenses		(648)	(615)
Administrative expenses		(58,407)	(39,974)
Share of result of an associate		(5,907)	(2,266)
Finance cost		(18,782)	(1,606)
Loss before taxation		(524,113)	(113,324)
Income tax credit	4	62,372	15,660
Loss for the period	5	(461,741)	(97,664)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Continued)

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
<i>Notes</i>		
Other comprehensive income (expense)		
<i>Items that will not be reclassified to profit or loss:</i>		
Gain on revaluation of land and buildings	420	–
Release of deferred tax liability upon disposal of land and buildings	7,379	–
	7,799	–
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising from translation	853	(1,114)
Other comprehensive income (expense) for the period	8,652	(1,114)
Total comprehensive expense for the period	(453,089)	(98,778)
Loss for the period attributable to:		
– Owners of the Company	(461,741)	(96,981)
– Non-controlling interests	–	(683)
	(461,741)	(97,664)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Continued)

For the six months ended 30 June 2017

		Six months ended 30 June	
	<i>Notes</i>	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Total comprehensive expense for the period attributable to:			
– Owners of the Company		(453,089)	(98,095)
– Non-controlling interests		–	(683)
		(453,089)	(98,778)
		HK cents	HK cents
Loss per share	7		
– basic		(20.05)	(12.63)
– diluted		(20.05)	(12.63)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	34,974	97,122
Prepaid lease payments		13,649	13,439
Investment properties		88,080	88,491
Goodwill		31,600	31,600
Investment in an associate		–	5,907
Available-for-sale investments		30,161	28,990
Deposits paid for acquisition of an additional interest in an available-for-sale investment		–	5,977
Statutory deposits placed with clearing house		275	243
Finance lease receivables	9	12,339	–
		211,078	271,769
Current assets			
Inventories		14,518	13,296
Trade and other receivables and prepayments	9	447,220	437,768
Finance lease receivables	9	6,407	–
Loans receivables	9	1,023,022	625,440
Prepaid lease payments		404	392
Held-for-trading investments	10	183,162	679,594
Bank balances – trust and segregated accounts		117,257	36,060
Bank balances (general accounts) and cash		359,658	431,870
		2,151,648	2,224,420

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2017

	<i>Notes</i>	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Current liabilities			
Trade and other payables and accruals	11	275,270	142,555
Taxation payable		17,957	21,543
Borrowings	12	28,459	50,501
		321,686	214,599
Net current assets		1,829,962	2,009,821
Total assets less current liabilities		2,041,040	2,281,590
Capital and reserves			
Share capital	13	690,968	690,968
Reserves		680,742	1,133,831
Total equity		1,371,710	1,824,799
Non-current liabilities			
Bond	12	646,264	361,761
Deferred tax liabilities		23,066	95,030
		669,330	456,791
Total equity and non-current liabilities		2,041,040	2,281,590

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	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 2017 (audited)	690,968	352,753	38,510	65,020	3,535	3,341	1,270	669,402	1,824,799	-	1,824,799
Loss for the period	-	-	-	-	-	-	-	(461,741)	(461,741)	-	(461,741)
Exchange differences arising from translation	-	-	-	-	853	-	-	-	853	-	853
Revaluation gain on land and building	-	-	-	420	-	-	-	-	420	-	420
Release of deferred tax liability upon disposal of land and buildings	-	-	-	7,379	-	-	-	-	7,379	-	7,379
Total comprehensive income for the period	-	-	-	7,799	853	-	-	(461,741)	(453,089)	-	(453,089)
Share options lapsed during the period	-	-	-	-	-	(3,341)	-	3,341	-	-	-
Transfer of property revaluation reserve upon disposal of land and buildings	-	-	-	(52,510)	-	-	-	52,510	-	-	-
At 30 June 2017 (unaudited)	690,968	352,753	38,510	20,309	4,388	-	1,270	263,512	1,371,710	-	1,371,710

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 2016 (audited)	383,871	358,858	38,510	66,150	6,771	3,341	1,270	915,950	1,774,721	(91)	1,774,630
Loss 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)	(96,905)	(683)	(98,778)
At 30 June 2016 (unaudited)	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 2017

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Net cash used in operating activities	(380,722)	(597,974)
Net cash from/(used in)	60,155	(19,819)
Net cash from financing activities	244,000	103,683
Net decrease in cash and cash equivalents	(76,568)	(514,110)
Cash and cash equivalents at 1 January	426,875	894,934
Effect of foreign exchange rate changes	3,855	(261)
Cash and cash equivalents at 30 June, represented by		
Bank balances and cash	359,658	380,563
Bank overdrafts	(5,496)	(4,969)
	354,162	375,594

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“SEHK”).

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with the HKAS 34 “Interim Financial Reporting” issued by the HKICPA as well as the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The application of amendments to HKFRSs issued by the HKICPA that are mandatory effective for 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.

However, the amendment to HKAS 7 will result in more disclosures relating to the reconciliation of liabilities arising from financing activity in the Group’s annual consolidated financial statements which included: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Except as disclosed above, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2016.

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. During the year ended 31 December 2016, the Group sets up a new subsidiary which is engaged in the provision of assets management service. The CODM has determined the assets management service forms a new operating and reportable segment in allocating the Group's resources and assessing performance. The Group is currently organised into the following five 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
Assets management services	Provision of asset management 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	
	2017	2016
	HK\$'000	HK\$'000
Medical products	25,448	42,918
Plastic toys	11,533	12,534
Sales of garment accessories	13,423	14,149
Fee and commission income	16,051	28,987
Interest income from loan receivables and finance lease receivables	37,031	9,057
	103,486	107,645

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	Assets Management services HK\$'000	Consolidated HK\$'000
For the six months ended 30 June 2017						
Segment revenue – external	36,981	13,423	16,051	37,031	–	103,486
Segment results	(9,963)	668	(205)	31,785	(1,007)	21,278
Change in fair value of: – held-for-trading investment						(502,660)
Impairment loss on deposit paid for acquisition of an additional interest in an available-for-sale investment						(5,977)
Property rental income						2,110
Share of loss of an associate						(5,907)
Unallocated corporate income						3,160
Unallocated corporate expenses						(36,117)
Loss before taxation						(524,113)
	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)

4. INCOME TAX CREDIT

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	3,379	2,069
The People's Republic of China ("the PRC")		
Enterprise Income Tax	–	62
Other jurisdictions	359	–
	3,738	2,131
Overprovision in prior years:		
Hong Kong	(1,400)	–
	(1,400)	–
Deferred tax:		
Current period	(69,086)	(17,791)
Release of deferred tax upon disposal of land and buildings	4,376	–
	(64,710)	(17,791)
Income tax credit	(62,372)	(15,660)

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 FOR THE PERIOD

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	2,891	2,946
Amortisation of prepaid lease payments	198	208
Loss/(gain) on disposal of property, plant and equipment	42	(15)
Fair value change of held-for-trading investment (included in other gains and losses)	502,660	104,552
Impairment loss on deposit paid for acquisition of an additional interest in an available-for-sale investment	5,977	–
Impairment loss on goodwill (included in other gains and losses)	–	11,318
Exchange gain (included in other gains and losses)	–	(132)
Reversal of allowance of trade and other receivable	(8)	–
Bank interest income	(163)	(719)
Finance cost		
– Bank overdrafts and loans	822	244
– Bond	17,960	1,362
Property rental income net of negligible outgoing expenses	(2,110)	(805)

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 2017 (2016: nil).

7. LOSS PER SHARE

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

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Loss for the period attributable to owners of the Company, for the purpose of basic and diluted loss per share	(461,741)	(96,981)
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of diluted loss per share	2,303,224,137	767,741,379

The computation of diluted loss per share for the six months ended 30 June 2017 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

On 15 March 2017, a wholly-owned subsidiary of the Company entered into the provisional agreements with an independent third party of the Group to sell a property at total cash consideration of approximately HK\$61,020,000. The transaction was completed on 31 May 2017.

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND LOANS RECEIVABLES AND FINANCE LEASE RECEIVABLES

Trade and other receivables and prepayments

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Trade receivable arising from:		
Medical products and plastic toys business and trading of garments (<i>Note a</i>)	37,433	40,297
Less: allowance for doubtful debts	(6,557)	(8,555)
	30,876	31,742
Trade receivables arising from securities brokerage business (<i>Note b</i>):		
– Cash clients	–	–
– Margin clients	255,142	346,493
– Clearing house	35,559	–
Less: allowance for doubtful debts	(4,093)	4,093
	286,608	342,400
Money lending and other financial services	42,930	29,832
	360,414	403,974
Total trade receivables		
Purchase deposits, other receivables and deposit	77,857	30,886
Prepayments	8,949	2,908
	447,220	437,768
Total trade and other receivables and prepayments		

- (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 2017 HK\$'000	31 December 2016 HK\$'000
Within 30 days	10,639	11,998
31 to 90 days	5,692	8,408
Over 90 days	14,545	11,336
	30,876	31,742

- (b) The normal settlement terms of trade receivable from cash clients and securities clearing house are two days after trade date.
- (c) In respect of trade receivables from cash clients, all of them are aged within 30 days (from settlement date) at the end of the reporting period. Margin loan receivables from margin clients are repayable on demand subsequent to settlement date. No ageing analysis is disclosed, as in the opinion of the directors of the Company, 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 2017, 46% of the loan receivables from the money lending and other financial services business are secured by pledged of assets or personal guarantee. The total amounts are repayable within one year from the end of the reporting period. The range of interest rate is 6%-12% per annum.

Included in loans receivables are debtors of secured loans receivables with the aggregate carrying amount of HK\$70,799,000 (2016: HK\$84,100,000) which have been past due but the directors of the Company 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 of the Company are of the opinion that the amounts are recoverable.

Finance lease receivables

In respect of finance lease receivables from debtors of which HK\$6,407,000 is aged within 1 year and HK\$12,339,000 is aged over 1 year.

10. HELD-FOR-TRADING INVESTMENTS

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Equity securities listed in Hong Kong	177,162	672,294
Debt securities traded in Hong Kong	6,000	7,300
	183,162	679,594
	The fair value of the held-for- trading investments as at 30 June 2017 HK\$'000	The fair value of the held-for- trading investments as at 31 December 2016 HK'000
China Jicheng Holdings Limited ("CJHL")	–	279,574
Sing On Holdings Limited ("SOHL")	67,212	75,849
Others	115,950	324,171
	183,162	679,594

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. SOHL is principally engaged in the provision of concrete demolition services in Hong Kong and Macau.

The Group has recorded a loss on fair value changes of held for trading investments for the six months ended 30 June 2017 of approximately HK\$502.7 million (2016: HK\$104.6 million) which was mainly arise from the realised loss on fair value change of investment in CJHL of approximately HK\$254.6 million.

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.

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Trade payables arising from medical products and plastic toys business and trading of garments	26,436	24,750
Trade payables arising from securities brokage business		
– Cash clients	61,651	23,953
– Margin clients	82,039	10,670
– Clearing house	125	2,223
Total trade payables	170,251	61,596
Accrued expenses	1,412	1,414
Other payables	103,607	79,545
	275,270	142,555

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 2017 HK\$'000	31 December 2016 HK\$'000
Within 30 days	7,058	19,045
31 to 90 days	12,400	3,479
Over 90 days	6,978	2,226
	26,436	24,750

12. BORROWINGS/BOND

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Bank overdrafts	5,496	4,996
Bank loans	22,963	5,505
Term loan	–	40,000
	28,459	50,501
Bond	646,264	361,761
	674,723	412,262
Less: Amounts due within one year shown under current liabilities	(28,459)	(50,501)
Amounts shown under non-current liabilities	646,264	361,761

For the current interim period, the Company issued bonds with an aggregate principal amount of HK\$332,400,000. Transaction costs attributable to the issuance of the bond amounted to approximately HK\$29,916,000. The aggregate principal amount of HK\$659,400,000 and HK\$52,000,000 bonds are unsecured with maturity date falling on the eighth and second anniversary of the issue date, respectively. The interest rate of the bonds are fixed at 6% and 4% per annum, respectively, and the interest is paid annually. The Company may at any time before the maturity date to redeem the bond in respect to the principal amount of HK\$52,000,000, while an additional coupon of 0.5% will be given to the bond holder if the Company exercise the rights of early redemption option. In the opinion of the directors of the Company, the value of the early redemption option is insignificant.

As at 30 June 2017, the Group had aggregate outstanding borrowings comprising (i) bank borrowings of HK\$2,451,000 (31 December 2016: HK\$2,718,000) and bank overdrafts of HK\$2,491,000 (31 December 2016: HK\$2,005,000) secured by a property of the Group and guaranteed by a director of a subsidiary of the Group, (ii) bank borrowing of HK\$1,858,000 (31 December 2016: HK\$1,871,000) and bank overdrafts of HK\$3,005,000 (31 December 2016: HK\$2,991,000) secured by properties owned by and guaranteed by a director of a subsidiary of the Group, (iii) bank borrowings of HK\$654,000 (31 December 2016: HK\$916,000) unsecured and guaranteed by a director of a subsidiary of the Group and guarantee provided by the government of Hong Kong, and (iv) bank borrowings of HK\$18,000,000 secured by a property of the Group.

The Group's borrowings were at variable-rate interest ranged from Hong Kong Prime rate plus 2.20% to 4.50% (31 December 2016: 2.20% to 4.50%) and Hong Kong Inter-bank Offered Rate plus 2% (31 December 2016: nil) per annum.

As at 31 December 2016, the Group's term loan is at fixed-rate interest at 8.50% per annum.

13. SHARE CAPITAL

	Par value per share HK\$	Number of ordinary shares	Amount HK\$'000
Authorised:			
At 1 January 2016 and 30 June 2016	0.1	10,000,000,000	1,000,000
Effect of share consolidation		(8,000,000,000)	–
Increase of share capital	0.5	8,000,000,000	4,000,000
At 31 December 2016 and 30 June 2017	0.5	10,000,000,000	5,000,000
Issued and fully paid:			
At 1 January 2016 and 30 June 2016		3,838,706,896	383,871
Share consolidation (i)		(3,070,965,517)	–
		767,741,379	383,871
Issued and partially paid:			
Issue of shares upon rights issue (ii)		1,535,482,758	307,097
At 31 December 2016 and 30 June 2017		2,303,224,137	690,968

The shares issued during the both periods rank pari passu with the existing shares in all respects.

- (i) With effect from 15 August 2016, the Company consolidated its shares on the basis that every five issued and unissued shares of HK\$0.1 each into one Consolidated Share of HK\$0.5 each. On the same date, the Company increased the total authorised share capital by 8,000,000,000 ordinary shares with par value of HK\$0.5 per share. These authorised share capital remained unissued as at 31 December 2016. Further details were set out in the circular dated 26 July 2016.
- (ii) In August 2016, a total of 1,535,482,758 ordinary shares were issued at a subscription price of HK\$0.20 per share by way of rights issue on the basis of two rights shares for every one share held on 15 August 2016. Details were set out in the announcement of the Company dated 24 August 2016. Transaction costs attributable to the rights issue amounted to HK\$6,105,000 are debited to share premium.

14. SHARE OPTIONS

The following table discloses movements in the Company's share options during the six months ended 30 June 2017:

Date of grant	Number of shares subject to share options				Outstanding at 30 June 2017
	Outstanding at 1 January 2017	Granted during the period	Exercised during the period	Lapsed during the period	
18 January 2012 (Batch I)	9,295	-	-	9,295	-
18 January 2012 (Batch II)	9,295	-	-	9,295	-
12 February 2015	8,365,794	-	-	8,365,794	-
Total	8,384,384	-	-	8,384,384	-
Exercisable at the end of period					-

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercisable period	Original	Adjusted
			Exercise price	exercise price with effect to open offer, Share consolidation and rights issue
			HK\$	HK\$
18 January 2012 (Batch I)	12 months	18 January 2013 – 17 January 2017	0.77	2,484
18 January 2012 (Batch II)	24 months	18 January 2014 – 17 January 2017	0.77	2,484
12 February 2015	N/A	12 February 2015 – 11 February 2017	0.592	1,911

For the six months ended 30 June 2016 and 30 June 2017, no share option expense was recognised in profit or loss.

15. 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	
			2017 HK\$'000	2016 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

(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	
	2017 HK\$'000	2016 HK\$'000
Short-term employee benefits	4,328	4,541

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 Listing Rules.

16. CONTINGENT LIABILITIES

As at 30 June 2017, the Company and its subsidiaries, together with certain former subsidiaries, which were disposed upon the disposal of the Group's juvenile and infant products business in October 2014 (the "Disposed Subsidiaries"), are in litigation with an independent third party. The Company entered into the sale and purchase agreement pursuant to which the subsidiary of the Company agrees to indemnify the buyer against all losses and claims incurred by the Disposed Subsidiaries in connection with the litigation described below.

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 with Baby Trend, Inc. As at 30 June 2017, an external legal counsel has acted on behalf of the Company and its subsidiaries, to reach a settlement amount of United States Dollars ("USD") 1,000,000 (approximately HK\$7,780,000) with the plaintiff of the case. The settlement amount is expected to be fully covered by the liability insurance policy of the Company amounted to USD2,500,000 (approximately HK\$19,450,000). As such, the directors of the Company are of the opinion that no provision for any potential liability should be made.

17. 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 2017 HK\$'000	31 December 2016 HK\$'000
Commitment for the acquisition of an additional interest in an available-for-sale investment	–	31,079
Capital expenditure in respect of the formation of an investment	424,818	424,818
	424,818	455,897

18. EVENT AFTER THE REPORTING PERIOD

On 31 March 2016, the Company entered into various 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 approximately HK\$38,376,000).

Subsequent to the end of the reporting period, the Company and the vendors entered into the termination agreements, pursuant to which the Company and the vendors mutually agree to terminate the acquisition of 20,500,000 shares of the Target Company.

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 represented the largest export market of this segment. Sales revenue from European customers decreased by 16.6% for the six months ended 30 June 2017 to HK\$20.3 million, representing 55.0% of the total revenue from medical products and plastic toys business. Revenue from US customers decreased by 73.4% for the six months ended 30 June 2017 to HK\$4.5 million, accounting for 12.3% of the total revenue from medical and plastic toys business. Revenue from the PRC customers decreased by 10.1% for the six months ended 30 June 2017 to HK\$5.1 million, accounting for 13.7% 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 2017 was HK\$25.4 million, representing a decrease of 40.7% over last period and accounted for 68.8% 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. Sales revenue from plastic toys decreased by 8.0% for the six months ended 30 June 2017 to HK\$11.5 million mainly due to keen market competition.

Securities Brokerage, Margin Financing, Underwriting and Placements

Black Marble Securities Limited, a wholly-owned subsidiary of the Company (“Black Marble Securities”) has generated HK\$16.1 million revenue for the period ended 30 June 2017 and has decreased 44.6% over last period, representing 15.5% of the total revenue of the Group. It was because the weak market condition led the underwriting and placing income has been significantly dropped by HK\$20.9 million as compared to last period. However, the Directors have continued to keep the proactive approach in expanding the securities brokerage business during the period and the client base has expanded to approximately 830 clients (30 June 2016: 522 clients), out of which approximately 280 are margin financing clients (30 June 2016: 240 clients) and the interest income generated from the margin client has been increased from HK\$5.8 million for the period ended 30 June 2016 to HK\$13.7 million for the period ended 30 June 2017.

Assets Management Business

The Group wishes to provide a full range of financing services to its clients other than only securities brokerage, underwriting and placements services and money lending business. The Group has started to develop assets management business after the rights issue in September 2016 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.

The use of proceed from the rights issue in September 2016 of approximately HK\$150 million has been injected to the Black Marble Global Investment Fund SPC as seed capital. However, the assets management business has not yet generated any revenue during the six months ended 30 June 2017 due to the said business is still in a preliminary stage.

Money Lending and Finance Leasing

For the six months ended 30 June 2017, the Group continued with its money lending business in providing secured and unsecured loans to customers comprising individuals and corporations and commenced its finance lease business in the PRC. The Group has generated HK\$37.0 million interest income for the period and represented an increase of HK\$28.0 million as compared to last period. Directors are of the view that such business will keep contribute the income stream of the Group and has 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\$13.4 million revenue for the period which indicated a decrease of HK\$0.7 million as compared to last period and representing 13.0% 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

Black Marble Securities has kept expanding in the securities market and Black Marble Capital Limited, a wholly-owned subsidiary of the Company, 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, and representing 51.3% of the total revenue of the Group for the period.

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 of the Company (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, Black Marble Securities has entered into the joint venture agreement with China Kweichow Moutai (Group) Distillery Co., Ltd, Huakang Insurance Agency Co., Ltd, First Shanghai Financial Holding Limited and Shijiazhuang Changshan Textile Co., Ltd in relation to the proposed joint venture formation under the CEPA framework for the purpose of establishing a licensed corporation to provide full range of securities and financial services in the PRC. The joint venture company, with its proposed name of Guangdong Silk Road Securities Co., Ltd, will be established as a limited liability company, with its office to be established in the Nansha District, Guangzhou City, Guangdong Province, the PRC. The Directors consider that through the joint venture company, the Group will be able to tap into the financial services market in the PRC and capture any opportunities arising from the increasing investment and fund raising demand in the PRC. The joint venture can bring synergy effects to the Group’s existing securities brokerage business and leverage with the Group’s other financial businesses in the future.

Going forward, with a view to achieving better return and enhancing the expansion of the Group, the Group will keep expanding the existing business and look for potential investment opportunities to diversify its business scope and leverage with the Group’s financial sectors. We are committed to strengthen the corporate governance of the Group, and will continue to facilitate the resumption of trading of the Company and create the greatest possible value for all the Shareholders.

FINANCIAL REVIEW

Consolidated revenue of the Group for the six months ended 30 June 2017 was HK\$103.5 million (2016: HK\$107.6 million), representing a decrease of 3.9% over the corresponding period last year. Although, the revenue from money lending business and other financial services has increased by HK\$28.0 million, the decrease in the consolidated revenue was mainly due to the decrease of securities brokerage, underwriting and placements services and medical products and plastic toys business, of which the decrement were HK\$12.9 million and HK\$18.5 million respectively.

Gross profit margin of the Group for the period was 59.1%, representing an increase of approximately 21.5 percentage points as compared to the gross profit margin of 37.6% in the last period. It was mainly due to the revenue generated from securities brokerage business and the money lending business and other financial services shared a higher gross profit ratio than the medical products and plastic toys businesses. The revenue from securities brokerage business and the money lending business represented 51.3% of the total revenue of the Group for the period, representing an increase of approximately 16 percentage points as compared to the last period.

Loss of the Group for the six months ended 30 June 2017 was HK\$461.7 million (2016: HK\$97.7 million) and loss for the period attributable to owners of the Company was HK\$461.7 million (2016: HK\$97.0 million). The decrease was mainly due to the loss on fair value changes of held-for-trading investments of HK\$502.7 million for the six months ended 30 June 2017 (2016: HK\$104.6 million).

DISPOSALS OF ASSETS

On 15 March 2017, a wholly-owned subsidiary of the Company entered into the provisional agreements with an independent third party of the Group to sell a property at total cash consideration of approximately HK\$61,020,000. The transaction was completed in May 2017. Details refer to the announcement of the Company dated 15 March 2017.

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 at 30 June 2017 decreased by HK\$72.2 million as compared to HK\$431.9 million as at 31 December 2016. As at 30 June 2017, the Group's bank balances and cash, mainly denominated in Hong Kong dollar and United States dollar, was HK\$360.0 million. The Group has bank borrowings of HK\$23.0 million (2016: HK\$6.0 million), bank overdrafts of HK\$5.5 million (2016: HK\$5.0 million) and bond payable of HK\$646.3 million (2016: HK\$361.8 million) and has repaid all the term loans (2016: HK\$40.0 million) as at 30 June 2017.

As at 30 June 2017, the Group had net current assets of HK\$1,830.0 million (31 December 2016: HK\$2,009.8 million) and a current ratio of 6.7 (31 December 2016: 10.4). Average trade receivable turnovers and average inventory turnovers for the medical products and plastic toys business and trading of garments were 112 days (31 December 2016: 98 days) and 61 days (31 December 2016: 79 days) respectively. The Group's gearing ratio as at 30 June 2017 was 49.2% (2016: 22.6%).

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 30 June 2017, 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 period are set out in note 10 to this report.

RESULT OF RIGHTS ISSUE

On 29 June 2016, the Company proposed to raise gross proceeds of not less than approximately HK\$307.1 million before expenses and not more than approximately HK\$309.6 million before expenses, by way of rights issue of not less than 1,535,482,758 rights shares and not more than 1,547,952,006 rights shares 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 "Rights Issue"). On 21 September 2016, 1,535,482,758 ordinary shares were allotted and issued pursuant to the Rights Issue. The net proceeds for the Rights Issue were approximately HK\$301 million.

Up to the date of this report, proceeds from the Rights Issue (i) for the HK\$150 million seed capital investment and operation in the asset management company, the Group has fully injected into the fund and operation in the asset management company; (ii) for the HK\$80 million in developing the finance lease business in the PRC, the Group has utilised HK\$19.8 million and the remaining will be utilised as planned; and (iii) remaining balance of HK\$71 million for general working capital of the Company has been utilised HK\$30 million and HK\$41 million in securities brokerage business and money lending business respectively.

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 properties of approximately HK\$28.5 million (2016: HK\$10.5 million). The margin financing payables of HK\$32.3 million (2016: HK\$26.5 million) are secured by held-for-trading investment of approximately HK\$97.8 million (2016: HK\$418.8 million).

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 30 June 2017, the Company and its subsidiaries, together with certain former subsidiaries, which were disposed upon the disposal of the Group's juvenile and infant products business in October 2014 (the "Disposed Subsidiaries"), are in litigation with an independent third party. The Company entered into the sale and purchase agreement pursuant to which the subsidiary of the Company agrees to indemnify the buyer against all losses and claims incurred by the Disposed Subsidiaries in connection with the litigation described below.

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 with Baby Trend, Inc. As at 30 June 2017, an external legal counsel has acted on behalf of the Company and its subsidiaries, to reach a settlement amount of United States Dollars (“USD”) 1,000,000 (approximately HK\$7,780,000) with the plaintiff of the case. The settlement amount is expected to be fully covered by the liability insurance policy of the Company amounted to USD2,500,000 (approximately HK\$19,450,000). As such, the Directors are of the opinion that no provision for any potential liability should be made.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group employed a total workforce of around 270 staff members, of which about 200 worked in the PRC, about 5 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 2017.

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

During the six months ended 30 June 2017, 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 2017, 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 SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), as set out in Appendix 10 to the Listing Rules were as follows:

Name of director	Number of shares held as				Total interests	Approximate percentage of the issued share capital of the Company
	Beneficial owner	Spouse interest	Corporate interest			
Mr. Mak Kwong Yiu	651,216,960 (Note 2)	–	–	651,216,960 (L)	28.27%	

Notes:

1. The letter “L” denotes the long position in such shares and the letter “S” denotes the short position in such shares.
2. The percentage is calculated based on the issued share capital of the Company as at 30 June 2017, being 2,303,224,137 shares.
3. Among the 651,216,960 Shares held by Mr. Mak Kwong Yiu, 434,144,640 Shares were the underwritten shares committed by Mr. Mak Kwong Yiu as underwriter pursuant to the underwriting agreement.

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 2017.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, 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	Approximately % of the issued share capital
Lerado Financial Group Company Limited	Interests in controlled corporation (<i>Note 2</i>)	4,172,303,634 (L) 4,172,303,634 (S)	181.15% 181.15%
China Properties Investment Holdings Limited	Interests in controlled corporation (<i>Note 3</i>)	2,000,000,000 (L)	86.83%
Suncorp Technologies Limited	Interests in controlled corporation (<i>Note 4</i>)	2,172,303,634 (L) 1,800,000,000 (S)	78.15% 94.32%
Mr. Lai Shu Fun, Francis Alvin	Interests in controlled corporation (<i>Note 5</i>)	180,000,000 (L)	7.82%

Notes:

1. The letter “L” denotes the long position in such shares and the letter “S” denotes the short position in such shares.
2. The percentage is calculated based on the issued share capital of the Company as at 30 June 2017, being 2,303,224,137 shares.
3. The 4,172,303,634 Shares were the underwritten shares committed by Lerado Financial Group Company Limited through its wholly-owned subsidiary, Black Marble Securities as underwriter pursuant to the underwriting agreement. Accordingly, Lerado Financial Group Company Limited is deemed to be interested in the 4,172,303,634 Shares pursuant to the SFO.

4. The 2,000,000,000 Shares were underwritten shares committed by China Properties Investment Holdings Limited through its wholly-owned subsidiary, C.P. Securities International Limited as underwriter pursuant to the underwriting agreement. Accordingly, China Properties Investments Holdings Limited is deemed to be interested in the 2,000,000,000 Shares pursuant to the SFO.
5. The 2,172,303,634 Shares were underwritten shares committed by Suncorp Technologies Limited through its wholly-owned subsidiary, Suncorp Securities Limited as underwriter pursuant to the underwriting agreement. Accordingly, Suncorp Technologies Limited is deemed to be interested in the 2,172,303,634 Shares pursuant to the SFO.
6. Mr. Lai Shu Fun, Francis Alvin owns 180,000,000 Shares through his wholly-owned corporation, Opus Platinum Growth Fund. Accordingly, Mr. Lai Shu Fun, Francis Alvin is deemed to be interested in the 180,000,000 Shares pursuant to the SFO.

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 2017.

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 2017, 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 the same individual, Mr. Mak Kwong Yiu during the six months ended 30 June 2017.

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, 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 2017.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code for securities transactions by the Directors on terms equivalent to the required standard of the Model Code. All Directors have confirmed, following specific enquiry by the Company, which they fully complied with the required standard as set out in the Model Code throughout the period.

SUSPENSION OF TRADING

Trading in the shares of the Company on the SEHK has been suspended at the direction of the Securities and Futures Commission since 6 June 2017 and remains suspended until further notice. Details refer to the announcements of the Company dated 5 June 2017, 6 June 2017, 7 June 2017 and 9 August 2017.

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

Hong Kong, 31 August 2017

As at the date of this report, the executive Directors are Mr. MAK Kwong Yiu (Chairman and Chief Executive Officer), 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.