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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1225)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The Board of Directors (the "Board") of Lerado Financial Group Company Limited (the "Company") presents the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016, together with the comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	**2016** **HK$'000**	2015 HK$'000
Revenue		**221,811**	176,731
Gross proceeds from sale of held-for-trading investments		**51,162**	107,637
		272,973	284,368
Continuing operations			
Revenue	*3*	**221,811**	176,731
Cost of inventories and services		**(130,417)**	(128,103)
		91,394	48,628
Other income		**22,737**	24,270
Other gains and losses	*4*	**(187,804)**	377,511
Marketing and distribution costs		**(4,721)**	(6,744)
Research and development expenses		**(1,026)**	(2,707)
Administrative expenses		**(124,130)**	(76,027)
Share of loss of an associate		**(9,632)**	(461)
Finance costs		**(12,098)**	(300)
(Loss) profit before taxation		**(225,280)**	364,170
Income tax expense	*5*	**(21,177)**	(68,970)
(Loss) profit for the year from continuing operations		**(246,457)**	295,200

	NOTES	2016 HK$'000	2015 HK$'000
Discontinued operation			
Gain on disposal of subsidiaries		**–**	291,524
(Loss) profit for the year	*6*	**(246,457)**	586,724
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
(Loss) gain on revaluation of land and buildings		**(2,256)**	4,641
Recognition of deferred tax asset (liability) arising on revaluation of land and buildings		**1,126**	(857)
		(1,130)	3,784
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation		**(3,236)**	(2,485)
Other comprehensive (expense) income for the year		**(4,366)**	1,299
Total comprehensive (expense) income for the year		**(250,823)**	588,023
(Loss) profit attributable to owners of the Company			
– from continuing operations		**(246,457)**	295,291
– from discontinued operation		**–**	291,524
		(246,457)	586,815
Loss attributable to non-controlling interests			
– from continuing operations		**–**	(91)
– from discontinued operation		**–**	–
		–	(91)
Total (loss) profit for the year		**(246,457)**	586,724
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(250,823)**	588,114
Non-controlling interests		**–**	(91)
		(250,823)	588,023
(Loss) earnings per share	*8*		(Restated)
From continuing and discontinued operations			
– Basic		**(HK21.04 cents)**	HK197.66 cents
– Diluted		**(HK21.04 cents)**	HK197.62 cents
From continuing operations			
– Basic		**(HK21.04 cents)**	HK99.46 cents
– Diluted		**(HK21.04 cents)**	HK99.44 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	**2016** **HK$'000**	2015 *HK$'000*
Non-current assets			
Property, plant and equipment		**97,122**	110,010
Prepaid lease payments		**13,439**	14,767
Investment properties		**88,491**	32,542
Goodwill		**31,600**	42,918
Investment in an associate		**5,907**	7,539
Available-for-sale investments		**28,990**	5,968
Deposit paid for acquisition of additional interest in an available-for-sale investment		**5,977**	–
Deposits paid for acquisition of property, plant and equipment	*9*	**–**	103,352
Statutory deposits placed with clearing house		**243**	272
		271,769	317,368
Current assets			
Inventories		**13,296**	34,303
Trade and other receivables and prepayments	*10*	**437,768**	161,278
Loans receivables	*10*	**625,440**	–
Prepaid lease payments		**392**	419
Held-for-trading investments	*11*	**679,594**	511,765
Bank balances held in an escrow account		**–**	34,998
Bank balances – trust and segregated accounts		**36,060**	463,015
Bank balances (general accounts) and cash		**431,870**	894,934
		2,224,420	2,100,712
Current liabilities			
Trade and other payables and accruals	*12*	**142,555**	524,261
Taxation payable		**21,543**	26,157
Borrowings and bonds		**50,501**	11,540
Derivative financial instruments		**–**	285
		214,599	562,243
Net current assets		**2,009,821**	1,538,469
		2,281,590	1,855,837

	2016	2015
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**690,968**	383,871
Reserves	**1,133,831**	1,390,759
Total equity	**1,824,799**	1,774,630
Non-current liabilities		
Bonds	**361,761**	–
Deferred tax liabilities	**95,030**	81,207
	456,791	81,207
	2,281,590	1,855,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and principal place of business of the Company is at Unit 1-3, 30/F, Universal Trade Centre, 3-5A Arbuthnot Road, Central, Hong Kong. The Company acts as an investment holding company.

During the current year, the functional currency of the Company has been changed from United States dollars ("USD") to Hong Kong dollars ("HKD") as the primary economic environment of the Company has been changed to a business environment of Hong Kong upon the growing business of "securities brokerage" and "money lending" businesses. The directors of the Company have determined that HKD better reflects the economic substance of the Company and its business activity as an investment holding company primarily holding "securities brokerage" and "money lending" businesses in Hong Kong in light of the currency of its primary sources of revenue. The change in functional currency has been applied prospectively, the impact on change in functional currency from USD to HKD is insignificant as HKD is pegged to USD.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time.

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 HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
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

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

HKFRS 9 "Financial instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are described as follows:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held-for-trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as fair value through other comprehensive income (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

The directors of the Company anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the financial year when HKFRS 9 is mandatory effective and that the application of the new standard may have impact on amounts reported in respect of the Group's financial assets. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarification to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported (e.g. fee and commission income on placing and underwriting activities) as the timing of revenue recognition may be affected and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised prepaid lease payments on land use rights where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$10,903,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

For other amendments to HKFRSs, the Directors anticipate that their application will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating segments", which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM") in order to allocate resources to the segment and to assess its performance. The Group's Executive Directors are the CODM for the purposes of HKFRS 8 as it collectively makes strategic decisions in allocating the Group's resources and assessing performance.

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.

For the segment reporting purpose to the CODM, 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 service	Provision of asset management services

Revenue – continuing operations

An analysis of the Group's revenue by major products and services categories for the year are as follows:

	2016	2015
	HK$'000	*HK$'000*
Medical products	**78,701**	95,341
Plastic toys	**25,608**	21,588
Sales of garment accessories	**27,518**	23,448
Fee and commission income	**60,106**	35,254
Interest income from loan receivables	**29,878**	1,100
	221,811	176,731

Segment revenue and results – continuing operations

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 service *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2016						
Segment revenue – external	**104,309**	**27,518**	**60,106**	**29,878**	**–**	**221,811**
Segment results	**(29,756)**	**(14,590)**	**14,008**	**28,905**	**(4,545)**	**(5,978)**
Change in fair value of:						
– investment properties						**4,873**
– held-for-trading investments						**(70,434)**
Property rental income						**2,231**
Impairment loss on deposits paid for acquisition of property, plant and equipment						**(103,352)**
Share of loss of an associate						**(9,632)**
Unallocated corporate income						**154**
Unallocated corporate expenses						**(43,142)**
Loss before taxation						**(225,280)**

	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 year ended 31 December 2015					
Segment revenue – external	116,929	23,448	35,254	1,100	176,731
Segment results	(10,461)	2,562	24,508	833	17,442
Change in fair value of:					
– investment properties					(1,303)
– held-for-trading investments					373,523
– derivative financial instruments					(1,632)
Property rental income					2,396
Share of loss of an associate					(461)
Unallocated corporate income					7,484
Unallocated corporate expenses					(33,279)
Profit before taxation					364,170

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by/loss from each segment without allocation of change in fair value of investment properties/certain held-for-trading investments not included in securities business and assets management service segments/derivative financial instruments, property rental income, impairment loss on deposits paid for acquisition of property, plant and equipment, share of loss of an associate, unallocated corporate income and unallocated corporate expenses. This is the measure reported to the CODM for the purpose of resources allocations and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments.

	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 service** *HK$'000*	**Consolidated** *HK$'000*
As at 31 December 2016						
Segment assets	**219,365**	**50,783**	**451,259**	**695,093**	**145,829**	**1,562,329**
Investment properties						**88,491**
Investment in an associate						**5,907**
Available-for-sale investments						**28,990**
Deposit paid for acquisition of additional interest in available-for-sale investment						**5,977**
Held-for-trading investments						**542,024**
Other unallocated assets						**262,471**
Total assets						**2,496,189**
Segment liabilities	**(56,757)**	**(19,466)**	**(70,719)**	**(90,390)**	**(8,025)**	**(245,357)**
Bonds						**(361,761)**
Other unallocated liabilities						**(64,272)**
Total liabilities						**(671,390)**

	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
As at 31 December 2015					
Segment assets	417,130	70,710	662,262	37,228	1,187,330
Investment properties					32,542
Investment in an associate					7,539
Available-for-sale investments					5,968
Deposits paid for acquisition of property, plant and equipment					103,352
Held-for-trading investments					487,332
Bank balances held in an escrow account					34,998
Other unallocated assets					559,019
Total assets					2,418,080
Segment liabilities	(71,539)	(24,358)	(478,095)	(115)	(574,107)
Derivative financial instruments					(285)
Other unallocated liabilities					(69,058)
Total liabilities					(643,450)

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets, other than investment properties, investment in an associate, available-for-sale investments, deposits paid for acquisition of property, plant and equipment, deposit paid for acquisition of additional interest in available-for-sale investment, held-for-trading investments not included in securities brokerage business and assets management service segment, bank balances held in an escrow account and assets of the investment holding companies, are allocated to reportable and operating segments; and

- all liabilities, other than bonds, derivative financial instrument and liabilities of the investment holding companies, are allocated to reportable and operating segments.

Other segment information

	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 service *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2016							
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to property, plant and equipment	**1,757**	**–**	**3,926**	**–**	**–**	**–**	**5,683**
Depreciation of property, plant and equipment	**4,754**	**–**	**1,148**	**–**	**–**	**88**	**5,990**
Impairment loss on goodwill	**–**	**11,318**	**–**	**–**	**–**	**–**	**11,318**
Allowance for inventories	**13,231**	**–**	**–**	**–**	**–**	**–**	**13,231**
Impairment loss recognised on trade receivables	**592**	**5,000**	**4,093**	**–**	**–**	**–**	**9,685**

	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*	Unallocated *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2015						
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to property, plant and equipment	1,070	–	1,570	–	–	2,640
Depreciation of property, plant and equipment	4,748	–	203	–	602	5,553
Reversal of allowance for inventories	(616)	–	–	–	–	(616)
Impairment loss reversed on trade receivables	(1,740)	–	–	–	–	(1,740)
Write off of trade and other receivables	2,810	–	–	–	–	2,810

Geographical information

The Group's operations are principally located in the People's Republic of China ("PRC") and Hong Kong.

Information about the Group's revenue from external customers is presented based on the locations of the customers.

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**109,109**	52,434
Europe*	**48,596**	51,041
The United States of America	**26,269**	38,861
The PRC (excluding Hong Kong)	**18,422**	13,507
Australia	**2,772**	2,455
South America	**601**	1,511
Others*	**16,042**	16,922
	221,811	176,731

* No further analysis by countries in these two categories is presented because the revenue from each individual country is insignificant to the total revenue.

Majority of the non-current assets are located in the PRC and Hong Kong.

Information about major customers

The Group's revenue from external customers is mainly derived from the PRC and Hong Kong. For the year ended 31 December 2016, revenue for the largest customer of medical and plastic toys business amounted to HK$24,051,000 (2015: HK$24,592,000) which contributed more than 10% of the Group's total revenue.

4. OTHER GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
Net exchange gain	**–**	68
Impairment loss on goodwill	**(11,318)**	–
Impairment loss on deposits paid for acquisition of property, plant and equipment	**(103,352)**	–
Loss on disposal of property, plant and equipment	**–**	(101)
Fair value changes of:		
– investment properties	**4,873**	(1,303)
– held-for-trading investments	**(78,007)**	380,479
– derivative financial instruments	**–**	(1,632)
	(187,804)	377,511

5. INCOME TAX (CREDIT) EXPENSE

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**6,018**	2,637
The PRC Enterprise Income Tax ("EIT")	**718**	387
Other jurisdictions	**123**	249
	6,859	3,273
Overprovision in prior years:		
Hong Kong Profits Tax	**(631)**	(189)
The PRC EIT	**–**	(189)
Other jurisdictions	**–**	(21)
	(631)	(399)
Deferred taxation:		
Current year	**14,949**	66,096
	21,177	68,970

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

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 years.

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

6. (LOSS) PROFIT FOR THE YEAR

	2016	2015
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	**410**	435
Auditor's remuneration	**1,800**	1,788
Cost of inventories recognised as an expense	**110,204**	126,764
Depreciation of property, plant and equipment	**5,990**	5,553
Impairment loss recognised (reversed) on trade receivables	**9,685**	(1,740)
Write off of trade and other receivables	**–**	2,810
Allowance (reversal of allowance) for inventories	**13,231**	(616)
Bank interest income	**(970)**	(2,904)
Property rental income net of negligible outgoing expenses	**(2,231)**	(2,396)

7. DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend in respect of the year ended 31 December 2016 (2015: nil).

8. (LOSS) EARNINGS PER SHARE

(a) From continuing and discontinued operations

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

	2016	2015
	HK$'000	*HK$'000*
(Loss) profit for the year attributable to owners of the Company, for the purpose of basic and diluted (loss) earnings per share	**(246,457)**	586,815
	Number of shares	Number of shares (restated)
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,171,276,841**	296,879,626
Effect of dilutive potential ordinary shares in respect of share options	**–**	62,302
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,171,276,841**	296,941,928

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 Share").

On 21 September 2016, the Company completed an issue of shares upon rights issue 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.

For the years ended 31 December 2016 and 2015, the weighted average number of ordinary shares has been adjusted for the effect of the share consolidation and rights issue.

The computation of diluted loss per share for the year ended 31 December 2016 does not assume the exercise of the Company's share option as the exercise would result in an increase in loss per share for the year.

(b) From continuing operations

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

	2016	2015
	HK$'000	*HK$'000*
(Loss) profit for the year from continuing operations	**(246,457)**	295,291

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

(c) From discontinued operation

For the year of 2015, basic earnings per share for the discontinued operation is HK99.46 cents per share and diluted earnings per share for the discontinued operation is HK$99.44 cents, based on the profit for the year from the discontinued operation of HK$291,524,000 and the denominators detailed above for both basic and diluted earnings per share.

9. 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 approximately 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 fulfill 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.

In the current year, the construction of the Properties is not yet completed. In October 2016, the management had demanded the Property Vendor for fully refund the deposits amount of RMB81,503,000 (equivalent to approximately HK$103,352,000). Pursuant to the Property Agreements, upon the issuance of the demand letter to the Property Vendor, the Property Vendor is required to settle the demand within 3 months (i.e. January 2017).

Up to the date of this announcement, the Property Vendor has not yet settled the demand. In view of the 3 months period notice has passed and no repayment or other settlement arrangement communication has yet been made by the Property Vendor, the directors of the Company consider that the recoverability of the deposits paid is highly uncertain, therefore, full amount of provision of approximately HK$103,352,000 was made for the year ended 31 December 2016. The management will consider to take further legal action to demand the Property Vendor to settle the demand.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND LOANS RECEIVABLES

(a) The Group allows an average credit period of 60 days to its trade customers from medical products and plastic toys business and trading of garments. 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.

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**11,998**	12,064
31 to 90 days	**8,408**	6,722
Over 90 days	**11,336**	20,548
	31,742	39,334

(b) The normal settlement terms of trade receivables from cash clients and securities clearing house are two days after trade date.

(c) In respect of trade receivables from cash clients, all of them are aged within 30 days (from settlement date) at the end of 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.

(d) Included in loans receivables are debtors of secured loans receivables with the aggregate carrying amount of 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.

11. HELD-FOR-TRADING INVESTMENTS

	2016	2015
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong	**672,294**	511,765
Debt securities traded in Hong Kong	**7,300**	–
	679,594	511,765

	The fair value of the held-for-trading investments as at 31 March 2017*	**The fair value of the held-for-trading investments as at 31 December 2016**	The fair value of the held-for-trading investments as at 31 December 2015
	HK$'000	***HK$'000***	*HK$'000*
China Jicheng Holdings Limited ("CJHL")	289,928	**279,574**	405,308
China Kingstone Mining Holdings Limited ("CKMHL")	–	**–**	24,434
Sing On Holdings Limited ("SOHL")	180,369	**75,849**	–
Others listed securities on the Stock Exchange	330,775	**324,171**	82,023
	801,072	**679,594**	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 31 December 2016, the number of shares held in these investments as at 31 March 2017 are assumed remain unchanged as at 31 December 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. CKMHL is principally engaged in mining, processing and trading of the marble stones and marble-related products. 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 year ended 31 December 2016 of HK$78 million (2015: gain on fair value of HK$380 million) which was mainly arise from the loss on fair value change of investment in CJHL of HK$126 million (2015: gain on fair value of HK$400 million). However, the fair value of the held-for-trading investments as at 31 December 2016 on 31 March 2017 has increased by 18%.

The fair value of measurement of the Group's held-for-trading investments were categorised into Level 1 and fair values have been determined by reference to the quoted market bid prices available on the Stock Exchange.

12. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an aged analysis of trade payables from medical products and plastic toys business and trading of garments presented based on the invoice date at the end of the reporting period:

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**19,045**	12,520
31 to 90 days	**3,479**	6,960
Over 90 days	**2,226**	5,482
	24,750	24,962

13. EVENTS AFTER THE REPORTING PERIOD

On 29 December 2016, an indirectly wholly-owned subsidiary of the Company, Black Marble Securities Limited, entered into an agreement in relation to formation of a securities company in the PRC. Upon establishment, Black Marble Securities Limited will hold 19% equity interest of the securities company. As at 31 December 2016, Black Marble Securities Limited has a capital commitment of HK$424,818,000. As of the date of this announcement, the formation of the securities company has not yet been complete as the condition(s) set out in the circular of the Company dated 2 February 2017 has not been satisfied.

On 14 March 2017, the Company has proposed to implement a capital reorganisation which involves (i) capital reduction whereby the issued share capital of the Company will be reduced by a reduction of the par value of each issued share from HK$0.50 to HK$0.01 per issued share which reduction will comprise of a cancellation of such amount of paid-up capital on each issued share and an extinguishment and reduction of any part of the capital not paid up on any issued share so that each existing issued share will be treated as one fully paid up share of par value of HK$0.01 each in the share capital of the Company immediately following the capital reduction and the credits arising from a cancellation of the paid-up on the issued share shall be transferred to the contribution surplus account of the Company and (ii) immediately following the capital reduction, the Company has proposed share subdivision whereby each of the authorised but unissued share of HK$0.5 each will be sub-divided into fifty new shares of HK$0.01 each. The capital reorganisation has not yet been complete up to the date of this announcement and is subject to, among other things, the fulfillment of the conditions set out in the announcement of the Company dated 14 March 2017.

On 15 March 2017, a wholly-owned subsidiary of the Company, Lerado H.K. Limited has entered into provisional agreements with an independent third party of the Group to sell a property held by Lerado H.K. Limited at the total consideration of approximately HK$61,020,000. Up to the date of this announcement, the transaction has not yet been complete. The formal agreements have been signed and deposit of approximately HK$6,102,000 has been received.

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 4.8% for the year ended 31 December 2016 to HK$48.6 million, representing 46.6% of the total revenue from medical products and plastic toys business. Revenue from US customers decreased by 32.4% for the year ended 31 December 2016 to HK$26.3 million, accounting for 25.2% of the total revenue from medical and plastic toys business.

In terms of products, sales revenue from medical products for the year ended 31 December 2016 was HK$78.7 million, representing a decrease of 17.5% over last period and accounted for 75.4% 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. Sales revenue from plastic toys increased by 18.6% for the year ended 31 December 2016 to HK$25.6 million mainly due to the increase in orders from PRC customers.

Securities Brokerage, Margin Financing, Underwriting and Placements

Black Marble Securities Limited has generated HK$60.1 million revenue for the year ended 31 December 2016 and has increased 70.5% over last year, representing 27% of the total revenue of the Group and securities brokerage, margin financing, underwriting and placement services has become one of the main sources of income for the Group. It was because the Directors have kept the proactive approach in expanding the securities brokerage business during the year and the client base has expanded to approximately 830 clients, out of which approximately 290 are margin financing clients.

Black Marble Securities Limited has played significant roles as underwriters and placing agents for the listed companies in fund-raising activities in 2016. 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$346.5 million as at 31 December 2016 after the completion of the Group's open offer in December 2015 and rights issue in September 2016.

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. As at the date of the announcement, the Company is still under the process of applying for the Type 9 (asset management) regulated activity under the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong). The previous application has been withdrawn due to the resignation of a proposed responsible officer, however, a new proposed responsible officer has filled the vacancy.

The use of proceeds 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 year ended 31 December 2016 because the said business is still in a preliminary stage.

Money Lending

For the year ended 31 December 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$29.9 million (2015: HK$1.1 million) interest income for the year, representing 13.5% of the total revenue of the Group, and Directors are of the view that such business will keep expending and contributing the income stream to 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$27.5 million (2015: HK$ 23.4 million) revenue for the year, representing 12.4% 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 Limited has 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 have 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 the PRC.

As such, Black Marble Securities Limited 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, Shijiazhuang Changshan Textile Co., Ltd and Zhuhai ZhengBang Logistics 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 on 29 December 2016. The joint venture company, with its proposed name of Guandong 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.

In order to satisfy the seed capital investment for the joint venture company, the Company has proposed to raise approximately HK$460.64 million (before expenses) by way of rights issue of 4,606,448,274 rights shares at the subscription price of HK$0.10 per rights share on the basis of two rights shares for every one new share held on the record date. The proceeds are intended to be applied RMB380 million (equivalent to approximately HK$425 million) as the seed capital investment for the joint venture company and the remaining as the general working capital of the Group.

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.

FINANCIAL REVIEW

Consolidated revenue for 2016 was HK$221.8 million (2015: HK$176.7 million), representing an increase of 25.5% over last year. Although, the revenue from medical products and plastic toy has decreased by HK$12.6 million, the increase in the consolidated revenue was mainly due to the increase of securities brokerage, underwriting and placements services and money lending business, of which the increment were HK$24.9 million and HK$28.8 million respectively.

Gross profit margin for the period was 41.2%, representing an increase of approximately 14 percentage points as compared to the gross profit margin of 27.5% in the last year. It was mainly due to the revenue generated from securities brokerage business and the money lending business has increased by HK$53.7 million during the year and sharing a higher gross profit ratio than the medical products and plastic toys businesses.

The Group recorded a loss for the year of approximately HK$246.5 million (2015: Profit for the year from continuing operations HK$295.2 million) and loss for the year attributable to owners of the Company was HK$246.5 million (2015: Profit for the year attributable to owners of the Company from continuing operations HK$295.2 million). Although the Group has recorded an increase in gross profit HK$42.8 million, the decrease was mainly due to the record of other net loss of HK$187.8 million (2015: other net gains of HK$377.5 million), which mainly comprise of (i) impairment loss on goodwill of approximately HK$11.3 million (2015: nil); (ii) impairment loss on deposits paid for acquisition of property, plant and equipment of HK$103.4 million (2015: nil); and (iii) loss on fair value changes of held-for-trading investments of HK$78.0 million for 2016 which HK$380.5 million of the gain on fair value changes of held-for-trading investments was recorded for 2015. Besides, the marketing and distribution cost was HK$4.7 million for the year (2015: HK$6.7 million), representing a decrease of 30.0% over last year. Administrative expenses amounted to HK$124.1 million (2015: HK$76 million), representing an increase of 63.3% over last year, it was mainly due to the expanding of the securities brokerage business during the year. Research and development amounted to HK$1.0 million (2015: HK$2.7 million), representing a decrease of 62.1% over last year. Finance cost amounted to HK$12.1 million (2015: HK$0.3 million), representing a increase of HK$11.8 million which was mainly due to the interest expenses from the bonds issued by the Company during the year.

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 registered capital of 杭州錢內助金融信息服務有限公司 (the "錢內助"), at the consideration of RMB32,800,000 (equivalent to HK$38,376,000), the Group has paid a deposit of RMB5,000,000 (equivalent to HK$5,977,000). As at 31 December 2016, the Group holds 10% of the issued share capital of 錢內助 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 錢內助. Up to the date of this announcement, 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 of HK$38,673,000. The transaction was completed on 26 July 2016.

PROPOSED FORMATION OF JOINT VENTURE COMPANY

On 29 December 2016, an indirect wholly-owned subsidiary of the Company, Black Marble Securities Limited, entered into the JV Agreement and the Supplementary Agreement with China Kweichow Moutai (Group) Distillery Co., Ltd, Huakang Insurance Agency Co., Ltd, First Shanghai Financial Holding Limited, Shijiazhuang Changshan Textile Co., Ltd and Zhuhai ZhengBang Logistics 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.

Pursuant to the joint venture Agreement, the joint venture company shall be, after its establishment, owned as to 19% by Black Marble Securities, 38.5% by China Kweichow Moutai (Group) Distillery Co., Ltd, 20% by Huakang Insurance Agency Co., Ltd, 7.5% by First Shanghai Financial Holding Limited, 7.5% by Shijiazhuang Changshan Textile Co., Ltd and 7.5% by Zhuhai ZhengBang Logistics Co., Ltd. The registered capital of the joint venture company is expected to be RMB2 billion, which will be contributed by Black Marble Securities, China Kweichow Moutai, Huakang Insurance, FS Financial Holding, Shijiazhuang Changshan Textile and Zhuhai ZhengBang Logistics Co., Ltd in the respective amounts of RMB380 million, RMB770 million, RMB400 million, RMB150 million, RMB150 million and RMB150 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly relies upon the shareholders' fund and placing of bonds and adopts a conservative policy in its financial management and maintains a solid financial position.

During the year, the Group used HK$1,103.6 million in its operating activities and HK$49.0 million in its investing activities and had net cash inflow of HK$690.6 million from financing activities. Cash and cash equivalents at 31 December 2016 decreased by HK$463.1 million as compared to HK$894.9 million as at 31 December 2015.

As at 31 December 2016, the Group's bank and cash, mainly denominated in Hong Kong dollar and US dollar. The Group has bank borrowings of HK$5.5 million (2015: HK$6.6 million), bank overdrafts of HK$5.0 million (2015: HK$5.0 million), term loan of HK$40 million (2015: nil) and bonds payable of HK$361.8 million (2015: nil) as at 31 December 2016.

As at 31 December 2016, the Group had net current assets of HK$2,010 million (31 December 2015: HK$1,538.5 million) and a current ratio of 10.4 (31 December 2015: 3.7). For the medical products and plastic toys business and trading of garments segments, the average trade receivable turnovers and average inventory turnovers were 98 days (31 December 2015: 84 days) and 79 days (31 December 2015: 88 days) respectively. The Group's gearing ratio as at 31 December 2016 was 22.6% (2015: 0.65%).

SIGNIFICANT INVESTMENTS

As at 31 December 2016, the Group held approximately 1,479.2 million shares of China Jicheng Holdings Limited ("CJHL") of fair value HK$279.6 million representing 11% of the total assets of the Group as at 31 December 2016 (the "Significant Investments"). The CJHL's shares are listed on the main board of the Stock Exchange 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 2016 interim 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 investment held by the Group valued more than 5% of the total assets of the Group as at 31 December 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 announcement, 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 utilised as intended.

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 announcement, 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 fully settled in April and 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 property of approximately HK$10.5 million (2015: HK$11.6 million). The margin financing payables of HK$26.5 million (2015: nil) were secured by held-for-trading investment of approximately HK$418.8 million. No asset of the Group was pledged as at 31 December 2015.

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 minimise 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 minimise the risk.

CONTINGENT LIABILITY

At the end of the reporting period, the Company and its subsidiaries, together with certain subsidiaries which were disposed upon the disposal of the Group's Juenile and Infant product business in October 2014 (the "Disposed Subsidiaries") are in litigations with an independent third party. 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 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 for Baby Trend, Inc. The next trial date has been set on 24 April 2017. The directors of the Company, 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 to the consolidated financial statements for the year ended 31 December 2016.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group employed a total workforce of around 280 staff members, of which about 210 worked in the PRC, 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.

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

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

CORPORATE GOVERNANCE CODE

The Directors consider that the Company has fully complied with Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2016, save for deviations as stated hereof:

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 31 December 2016.

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.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All the Directors have confirmed that, following specific enquiry by the Company, they fully complied with the required standard as set out in the Model Code throughout the year.

AUDIT COMMITTEE

The Audit Committee of the Company comprising the four 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 audited financial statements for the year ended 31 December 2016.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in note 13 to this announcement.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The Company's annual report for the year ended 31 December 2016 containing all the relevant information required by the Listing Rules will be published in due course on the website of The Hong Kong Exchange and Clearing Limited at www.hkexnews.hk and the website at www.lerado.com.

By order of the Board
Lerado Financial Group Company Limited
Mak Kwong Yiu
Chairman and Chief Executive Officer

Hong Kong, 31 March 2017

As at the date of this announcement, 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.