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## **Lerado Financial Group Company Limited**

### **隆成金融集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1225)**

### **UPDATE ANNOUNCEMENT RESULTS OF INTERNAL CONTROL REVIEW**

This announcement is made pursuant to Rule 13.09 and Rule 13.24A of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of Lerado Financial Group Company Limited (the “**Company**”, which together with its subsidiaries, the “**Group**”) dated 5 June 2017, 6 June 2017 and 7 June 2017 in relation to, among other matters, the letter dated 5 June 2017 issued by the Securities and Futures Commission of Hong Kong to the Company and the suspension of trading in shares of the Company, as well as the announcements of the Company dated 7 June 2017, 9 August 2017, 20 July 2018, 31 July 2018, 7 November 2018, 31 January 2019, 12 March 2019, 29 April 2020 and 31 July 2020.

### **RESULTS OF INTERNAL CONTROL REVIEW**

As part of the measures implemented by the Company to improve its internal control procedures, the Company engaged HLB Hodgson Impey Cheng Limited (“**HLB**”) to conduct a review of the internal control system on the money lending business of the Group for the period from 2016 to 2019 and a follow-up review for the period from January 2020 to March 2020 (collectively, the “**Internal Control Review**”). The purpose of the Internal Control Review was to assess the relevant financial procedures, systems and controls of the money lending business of the Group. As disclosed in the update announcement of the Company dated 31 July 2020, HLB has completed the follow-up review on the effectiveness of the internal control system of the Company. According to the reports on the Internal Control Review issued by HLB (the “**IC Reports**”), the Company sets out below the key findings of the Internal Control Review

identified by HLB, the corresponding recommendations of HLB (the “**Recommendations**”), the corresponding responses of the Group and the conclusion on the effectiveness of implementation of the Recommendations by HLB:

- (i) HLB noted insufficient documentation of the details of the telephone or written enquiries from applicants with interest in the loan services of the Group, and recommended that such enquiries should be properly documented as a part of the pre-approval operational procedures for approving the loans in the money lending business of the Group;
- (ii) HLB noted an overlap of people in the credit review team (which is responsible for preparing a credit assessment report for the approval of the credit committee) and the credit committee (which is responsible for the review of the credit assessment report and approval of the loan application), and recommended that there be a segregation of the members of the credit review team and the credit committee; and
- (iii) HLB noted that the relationship between the borrower and/or their representative with the Group was not documented for each loan as it was not compulsory information required to be disclosed in the relevant supporting document of the loan application, and recommended that the Group incorporate into its written internal control policies and procedures to strengthen the background check of the relationship between the borrower and/or their representative with the Group.

In response to the findings of the Internal Control Review, the Company has adopted and implemented the Recommendations, and specifically in response to the findings set out above, the Company has (i) recorded the relevant information, including the amount and purpose of the loan as enquired with the applicant, in the pre-approval form in accordance with the pre-approval procedure, (ii) segregated the duties of the credit review team and the credit committee, and (iii) integrated the independence verification step into the loan application procedure. As a result, HLB has concluded that the Company has fulfilled and completed the Recommendations.

The Company will continue to implement the Recommendations on an ongoing basis so as to further strengthen the internal control system of the Company.

### **View of the Board of Directors**

Having considered the IC Reports, the Recommendations and the actions taken by the Group, the board of directors of the Company is of the view that the measures recommended are sufficient and adequate to address the findings of the Internal Control Review and that the Group has put in place an adequate internal control system to meet its obligations under the Listing Rules.

## **CONTINUED SUSPENSION OF TRADING**

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 6 June 2017 and will remain suspended until further notice.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

By Order of the Board  
**Lerado Financial Group Company Limited**  
**Ho Kuan Lai**  
*Executive Director*

Hong Kong, 8 September 2020

*As at the date of this announcement, the executive Directors are Mr. CHEN Chun Chieh, Ms. HO Kuan Lai and Mr. LEUNG Kam Por Ken; and the independent non-executive Directors are Mr. YU Tat Chi Michael, Mr. YANG Haihui and Mr. LAM Williamson.*