

# LERADO GROUP (HOLDING) COMPANY LIMITED

(隆成集團(控股)有限公司)\*

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

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

### FINANCIAL RESULTS

The Board of Directors of Lerado Group (Holding) Company Limited (the "Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June, 2005 together with the comparative figures.

#### Condensed Consolidated Income Statement

Notes	Six months ended		
	30th June, 2005 HK\$'000 (Unaudited)	30th June, 2004 HK\$'000 (Unaudited, restated)	
Turnover	2	536,113	704,334
Cost of sales		(445,712)	(536,172)
Gross profit		90,401	168,162
Investment income		1,102	216
Other operating income		5,185	7,515
Marketing and distribution costs		(35,678)	(43,770)
Research and development expenses		(11,860)	(7,616)
Administrative expenses		(42,476)	(51,749)
Other operating expenses		(2,852)	(2,654)
Finance costs		(7)	(663)
Profit before tax	3	3,815	69,441
Income tax expense	4	(1,830)	(1,685)
Profit for the period		1,985	67,756

#### Attributable to:

Equity holders of the parent		2,358	64,368
Minority interests		(373)	3,388
		1,985	67,756

Dividends	5	25,273	36,142
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Earnings per share	6		
— Basic		HK0.33 cent	HK8.90 cents
— Diluted		HK0.33 cent	HK8.88 cents

#### Condensed Consolidated Balance Sheet

	30th June, 2005 HK\$'000 (Unaudited)	31st December, 2004 HK\$'000 (Audited, restated)
<b>Non-Current Assets</b>		
Property, plant and equipment	334,123	343,729
Investment properties	12,000	12,000
Prepaid lease payments	32,862	33,308
Negative goodwill	—	(2,818)
Intellectual property rights	38,001	40,775
Interest in associates	—	—
Other investments	—	3,963
Available-for-sale investments	3,948	—
Deferred tax assets	2,499	841
	423,433	431,798
<b>Current Assets</b>		
Inventories	127,936	144,122
Trade and other receivables	218,894	188,823
Prepaid lease payments	849	849
Loan to an associate	11,700	11,700
Derivative financial instruments	297	—
Bank balances and cash	128,877	175,559
	488,553	521,053
<b>Current Liabilities</b>		
Trade and other payables	186,182	206,177
Taxation	4,094	3,997
Loan from minority shareholders	780	780
Derivative financial instruments	167	—
	191,223	210,954
<b>Net Current Assets</b>	297,330	310,099
<b>Total Assets Less Current Liabilities</b>	720,763	741,897
<b>Capital and Reserves</b>		
Share capital	72,210	72,210
Reserves	625,701	645,416
Equity attributable to equity holders of the parent	697,911	717,626
Minority interests	15,149	16,812
<b>Total equity</b>	713,060	734,438
<b>Non-Current Liabilities</b>		
Deferred tax liabilities	7,703	7,459
	720,763	741,897

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Deferred tax liabilities	7,703	7,459
	720,763	741,897

### Notes To The Condensed Financial Statements

#### 1. Basis Of Preparation And Accounting Policies

The unaudited condensed consolidated interim accounts have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants. The accounting policies and methods of computation used in the preparation of the condensed consolidated interim accounts are consistent with those used in the preparation of the audited consolidated accounts for the year ended 31st December, 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standard ("HKASs") (collectively "new HKFRSs") which are effective for accounting periods commencing on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of HKFRS 3 "Business Combination", HKAS 17 "Leases" and HKAS 39 "Financial Instruments: Recognition and Measurement" has resulted in material changes in the accounting policies of the Group. The overall effect on the adoption of new HKFRSs is to increase the Group's profit for the six months ended 30th June, 2005 by HK\$733,000 (six months ended 30th June, 2004: increase by HK\$143,000). Details of the changes in the principal accounting policies of the Group and the effect of adoption of new HKFRSs on the condensed consolidated interim accounts are set out in the Group's interim report.

#### 2. Segment Information

An analysis of the Group's turnover and contribution to profit from operations by business and geographical segments is as follows:

	Six months ended 30th June, 2005		Six months ended 30th June, 2004	
	External sales HK\$'000	Segment results HK\$'000	External sales HK\$'000	Segment results HK\$'000 (Restated)
Strollers	267,015	3,215	362,420	43,502
Beds and playards	63,426	493	52,654	4,794
Miscellaneous infant products*	154,760	1,342	188,519	17,269
Others	50,912	522	100,741	6,977
	536,113	5,572	704,334	72,542
Investment income		1,102		216
Other operating expenses		(2,852)		(2,654)
Finance costs		(7)		(663)
Profit before tax		3,815		69,441
Income tax expense		(1,830)		(1,685)
Profit for the period		1,985		67,756

\*Miscellaneous infant products include soft goods, car seats, high chairs, bouncers and walkers, etc.

#### Geographical Segments

	Six months ended 30th June, 2005		Six months ended 30th June, 2004	
	External sales HK\$'000	Segment results HK\$'000	External sales HK\$'000	Segment results HK\$'000 (Restated)
United States of America ("US")	262,592	2,419	391,625	38,607
Europe	150,265	1,796	142,943	16,596
Australia	24,625	443	39,009	4,032
South America	30,666	379	35,626	4,136
Others	67,965	535	95,131	9,171
	536,113	5,572	704,334	72,542
Investment income		1,102		216
Other operating expenses		(2,852)		(2,654)
Finance costs		(7)		(663)
Profit before tax		3,815		69,441
Income tax expense		(1,830)		(1,685)
Profit for the period		1,985		67,756

#### 3. Profit Before Tax

	Six months ended 30th June, 2005 HK\$'000	30th June, 2004 HK\$'000 (Restated)
Profit before tax has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	15,619	14,421
Amortisation of intellectual property rights (included in other operating expenses)	2,685	2,654
Amortisation of prepaid lease payments	424	431
Interest on bank deposits	(606)	(150)

#### 4. Income Tax Expense

	Six months ended 30th June, 2005 HK\$'000	30th June, 2004 HK\$'000
Profits tax:		
— Hong Kong	2,824	2,217
— Other jurisdictions	420	3,388
	3,244	5,605
Deferred tax	(1,414)	(3,920)
	1,830	1,685

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30th June, 2004: 17.5%) of the estimated assessable profit for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

#### 5. Dividends

	Six months ended 30th June, 2005 HK\$'000	30th June, 2004 HK\$'000
2004 final dividend of HK3.5 cents (2003 final dividend: HK5 cents) per share	25,273	36,142

The directors have determined that an interim dividend of HK1.5 cents (six months ended 30th June, 2004: HK2 cents) per share would be paid to the shareholders of the Company whose names appear in the Register of Members on 19th October, 2005.

#### 6. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to equity holders of the parent is based on the following data:

	Six months ended 30th June, 2005 HK\$'000	30th June, 2004 HK\$'000 (Restated)
Profit for the period attributable to equity holders of the parent	2,358	64,368
	Number of shares	Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share	722,096,724	722,838,724
Effect of dilutive potential ordinary shares in respect of share options	—	1,912,783
Weighted average number of ordinary shares for the purpose of diluted earnings per share	722,096,724	724,751,507

No effect on diluted earnings per share is resulted because the exercise price of Company's options was higher than the average market price for shares for the period.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Business review and outlook

The first half of 2005 was a difficult period. The surge of oil price exerted great impact on the Group's operating environment. As a result of rising raw material costs, the Group's gross margin was squeezed and the net profit was inevitably hampered. In view of such, the Group has been reassessing its customer mix and phasing out orders with extremely thin margin.

For the six months ended 30th June, 2005, the Group reported consolidated turnover of HK\$536.1 million, compared with HK\$704.3 million of the same period last year. Gross margin declined from 23.9% to 16.9% and the profit attributable to equity holders was HK\$2.4 million (six months ended 30th June, 2004: HK\$64.4 million).

Nevertheless, the Group maintained a healthy financial position. As at 30th June, 2005, the Group had cash and bank balances of HK\$128.9 million and was free of bank borrowings.

Geographically, sales to most countries dropped. Sales to the US amounted to HK\$262.6 million, declined by 32.9%, while sales to Australia and South America recorded HK\$24.6 million and HK\$30.7 million showing decrease of 36.9% and 13.9% respectively. An exception was Europe (the Group's second largest market), sales to which reflected a slight increase of 5.1% over the same period last year.

In terms of products, sales of strollers amounted to HK\$267.0 million, a decrease of 26.3% over the corresponding period last year. Resulting from the slow down of sales of infant car seats and battery-operated ride-on cars, the categories "miscellaneous infant products" and "others" also recorded a drop in sales of 17.9% and 49.5% respectively.

Looking forward, the Group believes that, amid the environment of high oil prices, the rest of 2005 will still be challenging. In reaction to such, the Group will continue its strategy in reviewing with customers that future orders with extremely low margin should be phased out. In addition, more resources on research and development will be allocated to initiate new designs and to develop innovative products in a view to create higher margins for the coming year.

#### Investments

The Group had not made any investments during the six months ended 30th June, 2005.

#### Liquidity and financial resources

As at 30th June, 2005, the Group had total cash and bank balance of HK\$128.9 million, with the majority of which in US dollars and Renminbi. On the same date, the Group was free from bank borrowings, and thus, the Group's gearing ratio, expressed as total bank borrowings to shareholders' fund, stayed at zero (31st December, 2004: zero).

As at 30th June, 2005, the Group had net current assets of HK\$297.3 million and a current ratio of 2.6 compared with 2.5 at 31st December, 2004. Trade receivable and inventory turnover were 59 days and 55 days respectively (31st December, 2004: 55 days and 49 days respectively).

The directors are in the opinion that the Group has sufficient resources and working capital to meet its foreseeable capital expenditure.

#### Exchange risk exposure and contingent liabilities

The sales of the Group are mainly denominated in US dollars and purchases are mainly in HK dollars, Renminbi, and New Taiwanese dollars. The Group does not foresee significant risk in exchange rate.

As at 30th June, 2005, the Group had no significant contingent liabilities.

#### Employees and remuneration policies

As at 30th June, 2005, the Group employed a total workforce of around 5,800 staff members, of which above 5,600 worked in the PRC offices and production sites, 119 in Taiwan and 13 in Hong Kong.

Apart from basic salaries, discretionary bonus and contribution to retirement funds, share options may also be granted to staff with reference to the individual's performance.

### INTERIM DIVIDEND

The Board has declared an interim dividend of HK1.5 cents per share in cash for the six months ended 30th June, 2005 to shareholders whose names appear on the Register of Members of the Company on 19th October, 2005. It is expected that the dividend warrants will be sent to the Shareholders no later than 3rd November, 2005.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 17th October, 2005 to 19th October, 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Secretaries Limited, Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on 14th October, 2005.

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

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

### CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd (the "Listing Rules") throughout the six months ended 30th June, 2005 with deviations from code provision B.1.1 in respect of the establishment of a remuneration committee. The Company is in the process of establishing a remuneration committee with appropriate composition and terms of reference and expects to complete the task by the end of 2005.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standard set out in the Code throughout the six months ended 30th June, 2005.

### REVIEW OF INTERIM FINANCIAL STATEMENTS

The Audit Committee has reviewed with management and the external auditors, Deloitte Touche Tohmatsu, the unaudited interim financial statements, the accounting principles and practices adopted by the Group.

By Order of the Board  
Huang Ying Yuan  
Chairman

Hong Kong, 21st September, 2005

website: <http://www.irasia.com/tisco/hk/lerado>

As at the date of this announcement, the Board of Directors of the Company comprises of Mr. Huang Ying Yuan, Mr. Chen Hsing Shin, Madam Huang Chen Li Chu and Mr. Leung Man Fai being the Executive Directors, and Mr. Lim Pat Wah Patrick, Mr. Huang Zhi Wei and Mr. Yang Yu Fu being the Independent Non-executive Directors.

\* For identification purposes only