



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 30 JUNE 2007

FINANCIAL RESULTS

The Board of Directors (the “Board”) of Lerado Group (Holding) 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 2007, together with the comparative figures, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Revenue	2	600,590	607,943
Cost of sales		(493,095)	(456,236)
Gross profit		107,495	151,707
Investment income		10,972	3,286
Other income		5,043	5,230
Marketing and distribution costs		(44,129)	(29,079)
Research and development expenses		(14,789)	(11,194)
Administrative expenses		(45,141)	(41,466)
Other expenses		(1,897)	(2,381)
Share of loss of an associate		(381)	—
Finance costs		(2)	(1)
Profit before tax	3	17,171	76,102
Income tax expense	4	(4,462)	(5,880)
Profit for the period		<u>12,709</u>	<u>70,222</u>
Attributable to:			
Equity holders of the Company		13,203	68,689
Minority interests		(494)	1,533
		<u>12,709</u>	<u>70,222</u>
Dividends	5	<u>39,891</u>	<u>21,658</u>
Earnings per share	6		
— Basic		<u>HK1.82 cents</u>	<u>HK9.51 cents</u>
— Diluted		<u>HK1.81 cents</u>	<u>HK9.51 cents</u>

* For identification purposes only

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2007	31 December 2006
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment		302,834	333,330
Investment properties		50,796	17,900
Prepaid lease payments		35,208	34,588
Intellectual property rights		17,989	20,069
Interest in an associate		7,560	7,870
Available-for-sale investments		4,366	4,225
Deferred tax assets		1,930	1,930
		420,683	419,912
Current assets			
Inventories		130,372	127,175
Trade and other receivables	7	199,675	170,174
Prepaid lease payments		723	717
Derivative financial instruments		10,096	1,550
Tax recoverable		771	53
Bank balances and cash		218,837	259,839
		560,474	559,508
Current liabilities			
Trade and other payables	8	192,917	182,514
Tax liabilities		6,909	5,589
Loan from a minority shareholder		780	780
Derivative financial instruments		4,319	1,330
		204,925	190,213
Net current assets		355,549	369,295
Total assets less current liabilities		776,232	789,207
Capital and reserves			
Share capital		72,529	72,194
Reserves		679,668	700,033
Equity attributable to equity holders of the Company		752,197	772,227
Minority interests		7,717	8,211
Total equity		759,914	780,438
Non-current liabilities			
Deferred tax liabilities		16,318	8,769
		776,232	789,207

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting. The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate. The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2006. In the current interim period, the Group has applied, for the first time, a number of new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1 January 2007. The adoption of these new HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised. The Group has not early applied any new and revised standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

2. REVENUE AND SEGMENT INFORMATION

An analysis of the Group’s segment revenue and segment result for the period by business segment is as follows:

	Six months ended 30 June 2007		Six months ended 30 June 2006	
	External sales <i>HK\$’000</i>	Segment results <i>HK\$’000</i>	External sales <i>HK\$’000</i>	Segment results <i>HK\$’000</i>
Strollers	277,375	4,490	287,830	33,839
Beds and playards	43,886	546	65,427	6,980
Miscellaneous infant products [#]	225,190	1,484	196,638	25,505
Others	54,139	62	58,048	6,835
	<u>600,590</u>	<u>6,582</u>	<u>607,943</u>	<u>73,159</u>
Investment income		10,972		3,286
Unallocated corporate expenses		—		(342)
Share of loss of an associate		(381)		—
Finance costs		(2)		(1)
Profit before tax		17,171		76,102
Income tax expense		(4,462)		(5,880)
Profit for the period		<u>12,709</u>		<u>70,222</u>

[#] Miscellaneous infant products include soft goods, car seats, high chairs, bouncers, walkers and etc.

3. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	16,728	16,464
Amortisation of intellectual property rights	1,897	2,039
Amortisation of prepaid lease payments	419	414
Fair value gain on derivative financial instruments	(6,080)	(344)
Interest income on bank deposits	(4,891)	(2,402)
	<u>16,728</u>	<u>16,464</u>

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Current tax		
Hong Kong	2,698	2,863
The People's Republic of China ("The PRC")	779	1,930
Other jurisdictions	860	149
	<u>4,337</u>	<u>4,942</u>
Over provision in prior years		
The PRC	(779)	—
Deferred tax	904	938
	<u>4,462</u>	<u>5,880</u>

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30 June 2006: 17.5%) of the estimated assessable profits for the period.

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

The statutory tax rate for the PRC subsidiaries is 24% and those subsidiaries regarded as export enterprises by local tax authority are subject to preferential income tax rate of 12%. During the period, all PRC subsidiaries were qualified as export enterprise. On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC, which will change the tax rate from 12% to 25% for certain PRC subsidiaries from 1 January 2008. The deferred tax balances have been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

5. DIVIDENDS

Six months ended 30 June	
2007	2006
HK\$'000	HK\$'000

Dividends paid or declared in current period:

Final dividend declared and paid for 2006

of HK5.5 cents (2006: Final dividend declared and paid for 2005 of HK3 cents) per share

39,891	21,658
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The directors have proposed that an interim dividend of HK1.5 cents (six months ended 30 June 2006: HK2.5 cents) per share will be paid to the shareholders of the Company whose names appear in the Register of Members on 12 October 2007.

6. EARNINGS PER SHARE

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

Six months ended 30 June	
2007	2006
HK\$'000	HK\$'000

Earnings for the period attributable to equity holders of the Company

13,203	68,689
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Number of shares	Number of shares
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Weighted average number of ordinary shares for the purpose of basic earnings per share

724,253,531	722,046,735
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Effect of dilutive potential ordinary shares in respect of share options

3,510,827	108,651
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Weighted average number of ordinary shares for the purpose of diluted earnings per share

727,764,358	722,155,386
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7. TRADE AND OTHER RECEIVABLES

The Group has defined credit terms which are agreed with its trade customers. Included in trade and other receivables are trade receivables of approximately HK\$166,641,000 net of provision of HK\$15,547,000 (31 December 2006: HK\$147,918,000, net of provision of HK\$8,546,000) and their aged analysis is as follows:

30 June 2007	31 December 2006
HK\$'000	HK\$'000

Within 30 days

92,805	84,295
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Between 31 to 90 days

68,273	59,303
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Over 90 days

5,563	4,320
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166,641	147,918
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8. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$137,337,000 (31 December 2006: HK\$120,436,000) and their aged analysis is as follow:

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Within 30 days	66,136	49,477
Between 31 to 90 days	63,757	65,517
Over 90 days	7,444	5,442
	<u>137,337</u>	<u>120,436</u>

INTERIM DIVIDEND

The Board has declared an interim dividend of HK1.5 cents per share in cash for the six months ended 30 June 2007 to shareholders whose names appear on the Register of Members of the Company on 12 October 2007. It is expected that the dividend warrants will be sent to the Shareholders no later than 25 October 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 10 to 12 October 2007, 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, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on 9 October 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

For the six months ended 30 June 2007, the Group reported consolidated revenue of HK\$600.6 million, a slight decrease of 1.2% as compared with the same period last year. The profit attributable to equity holders amounted to HK\$13.2 million (six months ended 30 June 2006: HK\$68.7 million) while earnings per share decreased correspondingly to HK1.82 cents from HK9.51 cents of the same period last year.

As the price of raw materials stayed at high levels, especially plastics which accounted for more than a third of the Group's materials used, the gross margin of the Group was squeezed to 17.9% as compared with 25.0% of the first half of 2006. This resulted in the decline of net profit for the period under review.

In addition, marketing and distribution expenses increased over the same period last year, mainly due to doubtful debt provisions of approximately HK\$3.0 million made against certain sales in the PRC market and the legal and related costs arising from a dispute settled with a client, amounting to HK\$ 4.4 million.

In terms of revenue, sales of miscellaneous infant products increased by 14.5%, mainly driven by the satisfactory performance of car seats, and represented 37.5% of the Group's total turnover. Sales of strollers, the Group's core product, dropped slightly by 3.6% to HK\$277.4 million, while sales of beds and playards recorded a sharper decrease to HK\$43.9 million.

Apart from infant products that have long been offered to the market, the Group has recently developed a new line of healthcare products catered for the elderly, such as wheelchairs, scooters, walking aids and etc. This line of product accounted for around 2% of the Group's turnover for the first half of 2007 and was classified under the category of "others". An office had been set up in the United States of America ("US") to promote and market this new product line.

Looking forward, the Group believes the healthcare line of products will be of great potential amid the aging environment in the globe. More resources will also be allocated to the development of car seats, which is expected to be another product line which may drive the Group's growth. Meanwhile, the Group is closely monitoring the PRC market in a view to strengthen the marketability and profitability of our products.

Relocation of corporate office

In May 2007, the Group's corporate office was relocated from Shun Tak Centre (the "Shun Tak Property") to another self-owned property at Arbuthnot Road, which was previously let out for rental income. The Shun Tak Property, with saleable floor area of approximately 557 square meter, is currently left vacant and is held by the Group as an investment property.

Investments

The Group had not made any new investments during the six months ended 30 June 2007.

Liquidity and financial resources

As at 30 June 2007, the Group had total cash and bank balances of HK\$218.8 million (31 December 2006: 259.8 million), mainly in US dollars and Renminbi, and was free of bank borrowings. Accordingly, the Group's gearing ratio, expressed as total bank borrowing to shareholders' fund, is zero (31 December 2006: zero).

As at 30 June 2007, the Group had net current assets of HK\$355.5 million and maintained its current ratio at 2.7. For the six months ended 30 June 2007, both trade receivable and trade payable turnover were shortened to 47 days, as compared with 52 days and 54 days respectively for the same period last year, while inventory turnover decreased slightly from 48 days to 47 days.

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

As at 30 June 2007, no asset of the Group was under charge.

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 fluctuation.

As at 30 June 2007, the Group had no significant contingent liabilities.

Employees and remuneration policies

As at 30 June 2007, the Group employed a total workforce of around 5,700 staff members, of which above 5,500 worked in the PRC offices and production sites, above 100 in Taiwan mainly for marketing, sales support and research and development, 13 in the US office for marketing and 12 in HK for finance and administration.

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.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period, the Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

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.

PUBLICATION OF INTERIM REPORT

The Company's interim report 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.hkex.com.hk and the website of the Company at www.irasia.com/listco/hk/lerado/index.htm.

By order of the Board
Huang Ying Yuan
Chairman

14 September 2007

As at the date of this announcement, the Board of Directors of the Company comprises 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. Tyrone Lin being the Independent Non-executive Directors.