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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 2010

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 2010, along with the comparative figures and selected explanatory notes, which are prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		Six months ended 30 June	
	Notes	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Revenue	2	811,031	642,500
Cost of sales		<u>(607,820)</u>	<u>(475,460)</u>
Gross profit		203,211	167,040
Other income		4,547	4,091
Other gains and losses		(2,068)	(4,284)
Marketing and distribution costs		(57,922)	(58,108)
Research and development expenses		(28,383)	(17,751)
Administrative expenses		(52,693)	(48,091)
Other expenses		(1,373)	(1,400)
Share of loss of an associate		<u>(178)</u>	<u>(486)</u>
Profit before taxation		65,141	41,011
Income tax expense	3	<u>(6,048)</u>	<u>(6,113)</u>
Profit for the period	4	59,093	34,898
Other comprehensive income			
Exchange differences arising on translation		<u>4,816</u>	<u>100</u>
Total comprehensive income for the period		<u><u>63,909</u></u>	<u><u>34,998</u></u>

* For identification purposes only

		Six months ended	
		30 June	
	<i>Notes</i>	2010	2009
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Profit for the period attributable to:			
Owners of the Company		59,053	34,927
Non-controlling interests		40	(29)
		<u>59,093</u>	<u>34,898</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		63,869	35,027
Non-controlling interests		40	(29)
		<u>63,909</u>	<u>34,998</u>
Earnings per share	<i>6</i>		
— Basic		<u>HK7.87 cents</u>	<u>HK4.81 cents</u>
— Diluted		<u>HK7.86 cents</u>	<u>HK4.81 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	<i>Notes</i>	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		336,071	344,627
Prepaid lease payments		83,122	83,295
Intellectual property rights		4,154	5,542
Interest in an associate		5,979	6,175
Available-for-sale-investments		4,721	4,672
Deferred tax assets		1,195	1,319
Deposits paid for lease premium of land		3,112	3,084
		<u>438,354</u>	<u>448,714</u>
Current assets			
Inventories		188,637	174,596
Trade and other receivables and prepayments	7	339,784	270,820
Prepaid lease payments		1,810	1,810
Derivative financial instruments		5,473	2,957
Taxation recoverable		1,017	1,580
Bank balances and cash		331,888	304,077
		<u>868,609</u>	<u>755,840</u>
Current liabilities			
Trade and other payables and accruals	8	300,800	233,374
Taxation payables		13,163	10,167
		<u>313,963</u>	<u>243,541</u>
Net current assets		<u>554,646</u>	512,299
Total assets less current liabilities		<u><u>993,000</u></u>	<u><u>961,013</u></u>
Capital and reserves			
Share capital		75,030	74,730
Reserves		890,187	858,638
Equity attributable to owners of the Company		965,217	933,368
Non-controlling interests		1,618	1,578
Total equity		966,835	934,946
Non-current liability			
Deferred tax liabilities		26,165	26,067
Total equity and non-current liability		<u><u>993,000</u></u>	<u><u>961,013</u></u>

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL 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 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 Group’s annual financial statements for the year ended 31 December 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) “Business Combinations” prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) “Consolidated and Separate Financial Statements” in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 February 2010

³ Effective for annual periods beginning on or after 1 July 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. SEGMENT INFORMATION

The Group’s operating segments, based on information reported to the chief operating decision maker, i.e. the Group’s Executive Directors, for the purposes of resource allocation and performance assessment are as follows:

- manufacture and distribution of juvenile and infant products — manufacture and distribution of strollers, car seats, boosters, beds and playards etc.;
- retail sales of juvenile and infant products — retailing of milk powder, diapers, nursery products, food, apparel and strollers etc.; and
- all others — manufacture and distribution of nursery and medical care products etc.

Information regarding the above segments is reported below.

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

Six months ended 30 June 2010

	Manufacture and distribution of juvenile and infant products <i>HK\$'000</i>	Retail sales of juvenile and infant products <i>HK\$'000</i>	All others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE				
External sales	<u>689,182</u>	<u>33,076</u>	<u>88,773</u>	<u>811,031</u>
Segment profit (loss)	<u>75,637</u>	<u>(12,404)</u>	<u>(2,338)</u>	60,895
Interest income				1,785
Gain on fair value change on derivative financial instruments				4,574
Central administrative costs				(1,935)
Share of loss of an associate				(178)
Profit before taxation				<u>65,141</u>

Six months ended 30 June 2009

	Manufacture and distribution of juvenile and infant products <i>HK\$'000</i>	Retail sales of juvenile and infant products <i>HK\$'000</i>	All others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE				
External sales	<u>543,384</u>	<u>32,006</u>	<u>67,110</u>	<u>642,500</u>
Segment profit (loss)	<u>59,431</u>	<u>(12,630)</u>	<u>(3,726)</u>	43,075
Interest income				970
Loss on fair value change on derivative financial instruments				(1,380)
Central administrative costs				(1,168)
Share of loss of an associate				(486)
Profit before taxation				<u>41,011</u>

Segment profit (loss) represents the profit (loss) earned by each segment without allocation of interest income, gain (loss) on fair value change on derivative financial instruments, central administrative costs, share of loss of an associate and income tax expense. This is the measure reported to the Group's Executive Directors for the purposes of resource allocation and performance assessment.

The Group's Executive Directors make decisions according to the operating results of each segment and reports on the aging analysis of inventories and trade receivables. No information of segment assets and liabilities is available for the assessable of performance of different business activities. Therefore, only segment results are presented.

3. INCOME TAX EXPENSE

	Six months ended	
	30 June	
	2010	2009
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	837	669
The People's Republic of China ("the PRC")		
Enterprise Income Tax	4,359	3,469
Other jurisdictions	686	326
	5,882	4,464
Deferred tax:		
Current year	166	1,649
	6,048	6,113

Hong Kong Profits Tax and the PRC Enterprise Income Tax are recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate of Hong Kong Profits Tax and PRC Enterprise income tax used are 16.5% (2009: 16.5%) and 25% (2009: 25%), respectively, for the periods under review.

A PRC subsidiary of the Company was regarded as "High-tech Enterprise" in November 2009. According, that PRC subsidiary was subject to a reduced PRC Enterprise Income Tax rate of 15% for the period.

As stated on the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, the Group's Macau subsidiary is exempted from Macao Complementary Tax.

Taxation arising in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rates prevailing in the relevant jurisdiction.

4. PROFIT FOR THE PERIOD

Six months ended
30 June
2010 **2009**
HK\$'000 **HK\$'000**

Profit for the period has been arrived at after charging
(crediting) the following items:

Depreciation of property, plant and equipment	19,430	18,676
Amortisation of intellectual property rights (included in other expenses)	1,373	1,400
Amortisation of prepaid lease payments	937	757
Loss on disposal of property, plant and equipment	1	128
Exchange loss	6,641	2,776
Fair value (gain) loss on derivative financial instruments	(4,574)	1,380
Interest income on bank deposits	(1,785)	(970)
	<u> </u>	<u> </u>

5. DIVIDENDS

Six months ended
30 June
2010 **2009**
HK\$'000 **HK\$'000**

Dividends paid or declared in the period:

Final dividend declared and paid for the financial year ended 31 December 2009 of HK4.5 cents per share (2009: Final dividend declared and paid for the financial year ended 31 December 2008 of HK3.5 cents per share)

33,781	25,438
<u> </u>	<u> </u>

The directors have declared that an interim dividend of HK2.5 cents (six months ended 30 June 2009: HK2.0 cents) per share will be paid to the shareholders of the Company whose names appear in the Register of Members on 30 September 2010.

6. EARNINGS PER SHARE

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

	Six months ended	
	30 June	
	2010	2009
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	59,053	34,927
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	750,191,564	726,814,724
Effect of dilutive potential ordinary shares in respect of share options	1,035,863	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	751,227,427	726,814,724

For the period ended 30 June 2009, the computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for that period.

7. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 60 days to its customers. The following is an analysis of trade receivables by age, presented based on the invoice date net of allowance for doubtful debts at the end of the reporting date:

	30 June	31 December
	2010	2009
	HK\$'000	HK\$'000
Within 30 days	152,944	101,572
31 to 90 days	92,823	81,971
Over 90 days	10,058	16,469
Total	255,825	200,012

8. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an analysis of trade payables by age, presented based on invoice date at the end of the reporting date:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Within 30 days	90,902	66,218
31 to 90 days	105,029	63,981
Over 90 days	17,745	13,589
Total	<u>213,676</u>	<u>143,788</u>

INTERIM DIVIDENDS

The Board has declared an interim dividend of HK2.5 cents per share in cash for the six months ended 30 June 2010 to shareholders whose names appear on the Register of Members of the Company on 15 September 2010. It is expected that the dividend warrants will be sent to the shareholders no later than 12 October 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 28 to 30 September 2010, 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 27 September 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group reported consolidated turnover of HK\$811.0 million (2009: HK\$642.5 million) for the six months ended 30 June 2010 representing an increase of 26.2% over the corresponding period last year as well as the record high of the Group. The gross profit was HK\$203.2 million (2009: HK\$167.0 million) representing an increase of 21.7% over the corresponding period last year and it also reached the record high of the Group. The profit attributable to equity holders of the Company increased by 69.1 % to HK\$59.1 million (2009: HK\$34.9 million) over the corresponding period last year. Basic earnings per share increased from HK4.81 cents to HK 7.87 cents.

Due to the increased demand led by the global economy stabilization as well as the continuous product mix enhancement of the Group during the period under review, the revenue of the Group increased by 26.2% to HK\$811.0 million. Compared with the corresponding period last year, the

Group's gross profit ratio slightly dropped from 26.0% to 25.1%. However, the gross profit in amount was increased significantly by 21.7% to HK\$203.2 million. The revenue growth was mainly due to the contributions of the strong research and development ("R&D") team, the successful product mix enhancement and keep on launching new models, which enabled the Group to satisfy the market demands.

Compared with the corresponding period last year, the Group's R&D costs increased by approximately HK\$ 10.6 million. The weight of R&D costs to the six months revenues increased from 2.8% in 2009 to 3.5% in 2010. Recognizing the importance of the development of advanced products in order to meet the market needs, the Group invested more resources in product innovation and enhancement. During the period under review, the Group accelerated the product development and has launched several product development projects to respond to the increasing customer needs.

The performance and result of the Group's main business are encouraging, and also proved that the Group has a firm foundation. The Group keeps review and strengthening at its business and aim at the shareholders' long-term returns. During the period under review, the Group devoted to the efficiency and profitability of the retail shops rather than the expansion of the retail network in China. Despite of the close down of underperformed shops, the Group is able to maintain the retail turnover as the corresponding period last year by improving the efficiency.

Prospects

Looking ahead, through the innovative and excellent product mix as well as the recovery of the global economy, the Group is prudently optimistic about the prospects of the business. Since our establishment, the Group has deeply believed that the R&D is one of our core competitiveness. We will keep on maintain the close partnership with the customers and actively involve in product development projects as well as product promotion schemes with customers. In addition, the management will continue to enforce rigorous cost control and lower operating costs is expected. For the future development, the Group will expand it plants in PRC in order to raise the production capacity. The Group will also perform feasibility studies in respect of the move inward and to overseas of its PRC production lines, which the Group expects that it will help to control the cost more efficiently.

In respect of the PRC market, the Group will closely monitor the market movements and adopt appropriate strategy to cater to the consumer needs with an aim to raise the profitability and ensure a healthy growth in turnover. The Group will go on develop its new business model through our retail shops and the strategic cooperation with wholesalers to increase the Group's market share in PRC.

Termination of the Proposed Offering of Taiwan Depository Receipts

In light of the current uncertain market conditions and in order to protect the rights of the shareholders of the Company, the Company has decided not to proceed with the proposed TDR Issue on 9 August 2010. The termination of the proposed TDR Issue will not have any adverse effect on the Company's financial position. The Company will review the position in considering whether and when to relaunch the TDR Issue and further announcement(s) will be made once a decision to relaunch is reached.

Liquidity and Financial Resources

The Group's adopts a conservative policy in its financial management and maintains a solid financial position. The Board is in the opinion that the Group has sufficient resources to support its operations and meets its foreseeable capital expenditure.

As at 30 June 2010, the Group had cash and bank balances, mainly in US dollars and RMB, of HK\$331.9 million (31 December 2009: HK\$304.1 million). During the period, the Group generated HK\$66.4 million (2009: net cash inflow HK\$96.2 million) cash inflow from its operating activities. This figure is represented by the profit before tax of HK\$65.1 million, plus adjustments for non-cash items such as depreciation and amortization of HK\$21.7 million and deducted the net increase in working capital of HK\$14.1 million and other adjustments of HK\$6.3 million. Supported by its strong cash flows, the Group was free of bank borrowings as at 30 June 2010 (31 December 2009: nil).

As at 30 June 2010, the Group had net current assets of HK\$554.6 million (31 December 2009: HK\$512.3 million) and a current ratio of 2.8 (31 December 2009: 3.1).

Exchange Risk Exposure and Contingent Liabilities

The Group's monetary assets, liabilities and transactions are mainly denominated in Hong Kong dollar, Renminbi, US dollar, Euro and New Taiwan dollar. The management believes the Group's working capital is not exposed to any significant foreign exchange risk. Foreign exchange risk arising from transactions denominated in foreign currencies are managed whenever necessary by the Group, using foreign exchange forward contracts with major and reputable financial institutions.

As at 30 June 2010, the Group had no significant contingent liabilities.

Employees and Remuneration Policies

As at 30 June 2010, the Group employed a total workforce of above 5,800 staff members, of which above 5,700 worked in the PRC offices and production sites, above 106 in Taiwan mainly for marketing, sales support and research and development, 28 in the US office for marketing, sales support and research and development and 11 in Hong Kong and Macau for finance and administration.

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

During the period, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

Month of repurchase	Number of ordinary shares of HK\$0.10 each	Price per share		Aggregate consideration Paid HK\$'000
		Highest HK\$	Lowest HK\$	
June 2010	<u>390,000</u>	<u>1.06</u>	<u>1.03</u>	<u>406</u>

Save as disclosed above, there was no purchase, sale or redemption of the shares of the Company by the Company or any of its subsidiaries during the six months ended 30 June 2010.

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.

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 Directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standard as set out in the Model Code throughout the period.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the three Independent Non-executive Directors, has reviewed the accounting principles and practices adopted by the Company and has discussed auditing, internal control and financial reporting matters. The Audit Committee has reviewed the Group's unaudited financial statements for the six months ended 30 June 2010.

PUBLICATION OF INTERIM REPORT

The Company's interim report containing all the relevant information required by the Listing Rules will be dispatched to shareholders and 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

27 August 2010

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Huang Ying Yuan, Mr. Yang Yu Fu, Ms. Huang Chen Li Chu and Mr. Chen Chun Chieh being the Executive Directors, and Mr. Lim Pat Wah Patrick, Mr. Huang Zhi Wei and Mr. Chern Shyh Feng being the Independent Non-executive Directors.