

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2011

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 2011, 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 2011

	<i>Notes</i>	Six months ended 30 June	
		2011	2010
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	2	859,462	811,031
Cost of sales		(691,874)	(607,820)
Gross profit		167,588	203,211
Other income		12,351	4,547
Other gains and losses		(7,344)	(2,068)
Marketing and distribution costs		(59,660)	(57,922)
Research and development expenses		(30,405)	(28,383)
Administrative expenses		(61,534)	(52,693)
Other expenses		(673)	(1,373)
Share of result of an associate		612	(178)
Finance cost		(911)	—

* *For identification purposes only*

		Six months ended 30 June	
		2011	2010
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Profit before taxation		20,024	65,141
Income tax expense	3	(7,211)	(6,048)
Profit for the period	4	12,813	59,093
Other comprehensive income			
Exchange differences arising on translation		16,038	4,816
Share of exchange difference of an associate		163	—
Total comprehensive income for the period		29,014	63,909
Profit for the period attributable to:			
Owners of the Company		12,813	59,053
Non-controlling interests		—	40
		12,813	59,093
Total comprehensive income for the period attributable to:			
Owners of the Company		29,014	63,869
Non-controlling interests		—	40
		29,014	63,909
Earnings per share	6		
— Basic		HK1.71 cents	HK7.87 cents
— Diluted		HK1.71 cents	HK7.86 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	<i>Notes</i>	30 June 2011 <i>HK\$'000</i> (unaudited)	31 December 2010 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		425,769	416,432
Prepaid lease payments		101,553	100,690
Intellectual property rights		2,455	3,107
Investment in an associate		6,888	6,113
Available-for-sale-investments		5,000	4,879
Deferred tax assets		717	473
Deposits paid for lease premium of land		4,298	4,208
		546,680	535,902
Current assets			
Inventories		257,732	244,965
Trade and other receivables and prepayments	7	382,049	348,306
Prepaid lease payments		2,098	2,095
Derivative financial instruments		4,891	6,435
Taxation recoverable		801	887
Pledged bank deposit	8	78,276	—
Bank balances and cash		379,968	396,693
		1,105,815	999,381
Current liabilities			
Trade and other payables and accruals	9	331,835	342,969
Taxation payable		14,573	21,138
Unsecured bank borrowings	10	156,000	85,800
Secured bank borrowings	10	80,445	—
Derivative financial instruments		2,934	2,857
		585,787	452,764
Net current assets		520,028	546,617
Total assets less current liabilities		1,066,708	1,082,519
Capital and reserves			
Share capital		75,057	75,057
Reserves		950,844	970,617
Total equity		1,025,901	1,045,674
Non-current liability			
Deferred tax liabilities		40,807	36,845
Total equity and non-current liability		1,066,708	1,082,519

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

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 and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2010.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised 2009)	Related Party Disclosure
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets ¹
HKFRS 9	Financial Instruments ²
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ⁴
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ³
HKAS 19 (Revised 2011)	Employee Benefits ²
HKAS 27 (Revised 2011)	Separate Financial Statements ²
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ²

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2012

⁴ Effective for annual periods beginning on or after 1 July 2012

The directors of the Company anticipate that the application of these new and revised standards and amendments 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.

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 2011

	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>710,871</u>	<u>37,571</u>	<u>111,020</u>	<u>859,462</u>
Segment profit (loss)	<u>37,149</u>	<u>(7,628)</u>	<u>(7,214)</u>	22,307
Interest income				2,829
Loss on fair value change on derivative financial instruments				(3,514)
Central administrative costs				(1,299)
Finance cost				(911)
Share of result of an associate				612
Profit before taxation				<u>20,024</u>

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 result of an associate				(178)
Profit before taxation				<u>65,141</u>

Segment profit (loss) represents the profit (loss) earned by each segment without allocation of interest income, (loss) gain on fair value change on derivative financial instruments, central administrative costs, share of result of an associate, finance cost 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	
	2011	2010
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	777	837
The People's Republic of China ("the PRC")		
Enterprise Income Tax	2,920	4,359
Other jurisdictions	2	686
	<u>3,699</u>	<u>5,882</u>
Deferred taxation:		
Current year	3,512	166
	<u>7,211</u>	<u>6,048</u>

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% (2010: 16.5%) and 25% (2010: 25%), respectively, for the periods under review.

Pursuant to the relevant laws and regulations in the PRC, a PRC subsidiary of the Company is entitled to 50% relief in the PRC Enterprise Income Tax rate starting from the year ended 31 December 2009 for three years.

In addition, another PRC subsidiary of the Company was regarded as "High-tech Enterprise" since 2009. Accordingly, 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
2011 **2010**
HK\$'000 **HK\$'000**

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

Depreciation of property, plant and equipment	22,866	19,430
Amortisation of intellectual property rights (included in other expenses)	673	1,373
Amortisation of prepaid lease payments	1,322	937
Loss on disposal of property, plant and equipment	318	1
Exchange loss	1,017	6,641
Write-down of inventories	352	78
Impairment loss recognised in respect of property, plant and equipment (included in other gains and losses)	2,496	—
Impairment loss reversed in respect of trade receivables	(2,852)	—
Fair value loss (gain) on derivative financial instruments	3,514	(4,574)
Interest income on bank deposits	(2,829)	(1,785)
	<u>48,787</u>	<u>33,781</u>

5. Dividends

Six months ended 30 June
2011 **2010**
HK\$'000 **HK\$'000**

Dividends paid or declared in the period:

Final dividend declared and paid for the financial year ended 31 December 2010 of HK6.5 cents per share (2010: Final dividend declared and paid for the financial year ended 31 December 2009 of HK4.5 cents per share)	<u>48,787</u>	<u>33,781</u>
---	---------------	---------------

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: HK2.5 cents per share).

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	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	<u>12,813</u>	<u>59,053</u>
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	750,570,724	750,191,564
Effect of dilutive potential ordinary shares in respect of share options	<u>574,833</u>	<u>1,035,863</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>751,145,557</u>	<u>751,227,427</u>

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:

	30 June	31 December
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Within 30 days	133,171	136,135
31 to 90 days	110,975	95,179
Over 90 days	<u>8,020</u>	<u>9,614</u>
Total	<u>252,166</u>	<u>240,928</u>

8. Pledged Bank Deposit

The amount represents deposit pledged to a bank to secure short-term banking loans granted to the Group and therefore classified as current assets.

9. Trade and Other Payables and Accruals

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

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
Within 30 days	79,624	86,310
31 to 90 days	129,591	90,939
Over 90 days	19,631	35,008
Total	<u>228,846</u>	<u>212,257</u>

10. Bank Borrowings

The Group has the following bank loans at the end of the reporting period:

During the period, the Group obtained new bank loans amounting to HK\$150,645,000 (2010: Nil). The loans carry interest at a fixed market rate ranging from 1.1% to 1.63% and are repayable within one year. The proceeds were used to finance the acquisition of property, plant and equipment and operations.

The bank borrowings included an amount of HK\$80,445,000 which is secured by pledged bank deposit as detailed in note 8. The remaining balance is unsecured.

11. Capital Commitments

As at 30 June 2011, the Group has contracted to acquire land use right in the PRC of HK\$7,666,000 (31 December 2010: HK\$7,505,000) and property, plant and equipment of HK\$12,077,000 (31 December 2010: HK\$26,090,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

During the period under review, the Company continues to engage in manufacture and distribution of juvenile and infant durables and retail sales of juvenile and infant products in China.

The Group recorded consolidated turnover of HK\$859.5 million (2010: HK811.0 million) for the six months ended 30 June 2011, representing an increase of 6.0% over the corresponding period last year. The gross profit was HK\$167.6 million (2010: HK203.2 million) representing a decrease of 17.5% over the corresponding period last year. Profit attributable to equity holders of the Company was approximately HK\$12.8 million (2010: HK59.1 million) representing a decrease of 78.3% over the corresponding period last year; earnings per share was HK1.71 cents.

During the period under review, export sales to the US increased 3.2% over the corresponding period last year, export sales to Europe also recorded an increase of 4.9%, reached HK\$382.5 million and HK\$274.2 million, respectively. In terms of products, apart from the 8.5% increase in sales revenue of strollers to HK\$408.6 million, safety car seats also achieved a satisfying increase of 36.6% amounted to HK\$95.0 million.

Impacted by negative factors such as significant increase in raw material price of plastic and metal pipe, increase in labor cost and continuous appreciation of RMB during the period, the Group's gross profit margin decreased to 19.5% (2010: 25.1%). The Group had undergone review on price adjustment with its customers and suppliers and reduced the production of less profitable products. It is expected that earnings for the second half of the year will be improved.

The reorganization of retail business conducted during beginning of the year is now bearing fruits, operating costs has been significantly reduced. Revenue generated by retail sales during first half of the year increased 13.6% from the corresponding period of last year to HK\$37.6 million, and the segment loss also narrowed to HK\$7.6 million. The Group will continue to strictly control operating costs, adjust and streamline products profile to cause the retail business to contribute to the Group's earnings in the nearest future.

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.

During the period, the Group had net cash outflow HK\$14.2 million (2010: net cash inflow of HK\$66.4 million) from its operating activities. This is represented by the profit before tax of HK\$20.0 million, plus adjustments for non-cash items such as depreciation and amortization of HK\$24.9 million and deducted the net increase in working capital of HK\$52.8 million and other adjustments of HK\$6.3 million.

As at 30 June 2011, the Group's bank balances and cash mainly in denominated in US dollars and Renminbi, was HK\$458.2 million. After deducting bank borrowings of HK\$236.4 million, the Group recorded a net bank balances and cash of HK\$221.8 million as compared to HK\$310.9 million as at 31 December 2010. The borrowings, bearing interest at fixed market rate, was due within one year. At 30 June 2011, the Group's gearing ratio, expressing as total bank borrowings to equity attributable to owners of the Company was 0.23.

As at 30 June 2011, the Group had net current assets of HK\$520.0 million (31 December 2010: HK\$546.6 million) and a current ratio of 1.9 (31 December 2010: 2.2).

Pledge of Assets

As at 30 June 2011, the Group pledged deposits to banks to secured bank borrowings by Group. The deposits carry an average interest rate of 3.25%.

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 2011, the Group had no significant contingent liabilities.

Interim Dividend

The directors do not recommend the payment of an interim dividend.

Employees and Remuneration Policies

As at 30 June 2011, the Group employed a total workforce of around 6,300 staff members, of which above 6,100 worked in the PRC offices and production sites, 112 in Taiwan mainly for marketing, sales support and research and development, 25 in the US office for marketing, sales support and research and development and 8 in Hong Kong for finance and administration.

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

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.

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 2011.

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 as 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

29 August 2011

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Huang Ying Yuan, Ms. Huang Chen Li Chu, Mr. Chen Chun Chieh and Mr. Chen Chao Jen 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.