INTERIM 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 2014, 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended 30 June	
	Notes	**2014**	2013
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**687,596**	824,839
Cost of sales		**(541,723)**	(665,570)
Gross profit		**145,873**	159,269
Other income		**5,276**	10,969
Other gains and losses		**4,193**	(982)
Marketing and distribution costs		**(42,080)**	(48,796)
Research and development expenses		**(37,107)**	(40,421)
Administrative expenses		**(58,309)**	(60,113)
Other expenses		**(215)**	(215)
Share of result of an associate		**(265)**	219
Finance costs		**(1,257)**	(2,469)
Profit before tax		**16,109**	17,461
Income tax expense	*4*	**(4,830)**	(1,453)
Profit for the period attributable to owners of the Company	*5*	**11,279**	16,008

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Continued)

For the six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 HK$'000 (unaudited)	2013 HK$'000 (unaudited)
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising from translation		**(23,160)**	8,598
Share of exchange difference of an associate		**84**	166
Total comprehensive (expense) income for the period attributable to owners of the Company		**(11,797)**	24,772
Earnings per share	7		
Basic and diluted		**HK1.49 cents**	HK2.13 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*8*	**579,930**	595,622
Prepaid lease payments		**107,978**	111,687
Intellectual property rights		**274**	492
Investment in an associate		**4,985**	5,166
Available-for-sale-investments		**641**	641
Deposits paid for lease premium of land		**1,065**	2,007
		694,873	715,615
Current assets			
Inventories		**238,650**	268,696
Trade and other receivables and prepayments	*9*	**326,827**	356,219
Prepaid lease payments		**2,795**	2,799
Derivative financial instruments	*18*	**—**	5,246
Taxation recoverable		**937**	725
Pledged bank deposits	*10*	**—**	162,489
Structured bank deposits		**—**	8,970
Bank balances and cash		**200,070**	219,190
		769,279	1,024,334

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2014

	Notes	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Current liabilities			
Trade and other payables and accruals	11	**250,960**	312,715
Taxation payable		**9,257**	9,196
Bank borrowings	12	**—**	204,879
Derivative financial instruments	18	**—**	2,684
		260,217	529,474
Net current assets		**509,062**	494,860
Total assets less current liabilities		**1,203,935**	1,210,475
Capital and reserves			
Share capital	13	**75,930**	75,348
Reserves		**1,055,629**	1,063,511
Total equity		**1,131,559**	1,138,859
Non-current liability			
Deferred tax liabilities		**72,376**	71,616
Total equity and non-current liability		**1,203,935**	1,210,475

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Share capital *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000*	Property revaluation reserve *HK$'000*
At 1 January 2013	75,071	108,431	39,312	130,239
Profit for the period	–	–	–	–
Exchange differences arising from translation	–	–	–	–
Share of exchange difference of an associate	–	–	–	–
Total comprehensive income for the period	–	–	–	–
Exercise of share options	234	1,846	–	–
Recognition of equity settled share-based payments	–	–	–	–
Release of reserve upon deregistration of a subsidiary	–	–	–	–
Share options lapsed during the period	–	–	–	–
Dividends recognised as distribution *(note 6)*	–	–	–	–
At 30 June 2013	75,305	110,277	39,312	130,239
Loss for the period	–	–	–	–
Exchange differences arising from translation	–	–	–	–
Share of exchange difference of an associate	–	–	–	–
Gain on revaluation of land and buildings	–	–	–	75,711
Recognition of deferred tax liability arising on revaluation of land and buildings	–	–	–	(18,049)
Total comprehensive income (expense) for the period	–	–	–	57,662
Exercise of share options	43	337	–	–
Recognition of equity settled share-based payments	–	–	–	–
Share options lapsed during the period	–	–	–	–
Transfer to statutory reserve	–	–	–	–
Dividends recognised as distribution	–	–	–	–
At 31 December 2013	75,348	110,614	39,312	187,901
Profit for the period	–	–	–	–
Exchange differences arising from translation	–	–	–	–
Share of exchange difference of an associate	–	–	–	–
Total comprehensive (expense) income for the period	–	–	–	–
Exercise of share options	582	4,562	–	–
Recognition of equity settled share-based payments	–	–	–	–
Share options lapsed during the period	–	–	–	–
At 30 June 2014	75,930	115,176	39,312	187,901

	Statutory surplus reserve fund HK$'000	Enterprise expansion fund HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
	47,176	3,091	153,177	1,127	1,270	543,658	1,102,552
	–	–	–	–	–	16,008	16,008
	–	–	8,598	–	–	–	8,598
	–	–	166	–	–	–	166
	–	–	8,764	–	–	16,008	24,772
	–	–	–	(273)	–	–	1,807
	–	–	–	227	–	–	227
	(32)	–	–	–	–	–	(32)
	–	–	–	(36)	–	36	–
	–	–	–	–	–	(15,061)	(15,061)
	47,144	3,091	161,941	1,045	1,270	544,641	1,114,265
	–	–	–	–	–	(35,837)	(35,837)
	–	–	13,786	–	–	–	13,786
	–	–	(238)	–	–	–	(238)
	–	–	–	–	–	–	75,711
	–	–	–	–	–	–	(18,049)
	–	–	13,548	–	–	(35,837)	35,373
	–	–	–	(50)	–	–	330
	–	–	–	187	–	–	187
	–	–	–	(31)	–	31	–
	1,837	–	–	–	–	(1,837)	–
	–	–	–	–	–	(11,296)	(11,296)
	48,981	3,091	175,489	1,151	1,270	495,702	1,138,859
	–	–	–	–	–	11,279	11,279
	–	–	(23,160)	–	–	–	(23,160)
	–	–	84	–	–	–	84
	–	–	(23,076)	–	–	11,279	(11,797)
	–	–	–	(665)	–	–	4,479
	–	–	–	18	–	–	18
	–	–	–	(10)	–	10	–
	48,981	3,091	152,413	494	1,270	506,991	1,131,559

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash from operating activities:		
Decrease in inventories	**21,312**	1,883
Decrease (increase) in trade and other receivables and prepayments	**26,589**	(26,148)
Decrease in trade and other payables and accruals	**(56,613)**	(3,110)
Other operating cash flows	**41,361**	38,689
	32,649	11,314
Net cash from investing activities:		
Withdrawal of pledged bank deposits	**185,267**	160,260
Withdrawal of structured bank deposits	**8,805**	–
Other investing cash flows	**2,447**	3,345
Proceeds on disposal of property, plant and equipment	**24**	107
Placement of pledged bank deposits	**(25,762)**	(86,708)
Purchases of property, plant and equipment	**(21,667)**	(43,015)
Acquisition of prepaid lease payments	**–**	(17,675)
Deposit paid for prepaid lease payments	**–**	(6,321)
	149,114	9,993
Net cash used in financing activities:		
Repayment of bank borrowings	**(226,268)**	(203,777)
New bank borrowings raised	**22,829**	110,846
Proceeds from issue of shares upon exercise of share options	**4,479**	1,807
Dividends paid	**–**	(15,061)
Government grants received	**–**	17,720
	(198,960)	(88,465)
Net decrease in cash and cash equivalents	**(17,197)**	(67,158)
Cash and cash equivalents at 1 January	**219,190**	332,782
Effect of foreign exchange rate changes	**(1,923)**	752
Cash and cash equivalents at 30 June, represented by bank balances and cash	**200,070**	266,376

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("SEHK").

2. Principal Accounting Policies

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 value, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) — Int 21	Levies

The application of the above new Interpretation and amendments to 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 the new and revised standards and interpretation that have been issued but not yet effective.

3. Segment Information

For management purposes, the Group is currently organised into two operating divisions — manufacture of juvenile and infant products and all others. These divisions are the basis upon which the internal reports are prepared about components of the Group that are regularly reviewed by the chief operating decision makers, the Group's Executive Directors, for the purposes of resource allocation and performance assessment.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- manufacture of juvenile and infant products — manufacture of strollers, car seats, boosters, beds and playards etc.; and
- all others — manufacture medical care products, distribution of juvenile and infant products etc.

Information regarding the above segments is reported below.

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

Six months ended 30 June 2014

	Manufacture of juvenile and infant products	All others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
Segment revenue — external sales	576,850	110,746	687,596
Segment profit (loss)	23,502	(3,632)	19,870
Interest income			2,447
Fair value loss on derivative financial instruments			(1,728)
Central administrative costs			(2,958)
Finance costs			(1,257)
Share of result of an associate			(265)
Profit before taxation			16,109

Six months ended 30 June 2013

	Manufacture of juvenile and infant products HK$'000	All others HK$'000	Consolidated HK$'000
Revenue			
Segment revenue — external sales	711,567	113,272	824,839
Segment profit (loss)	33,929	(13,440)	20,489
Interest income			3,345
Fair value loss on derivative financial instruments			(1,141)
Central administrative costs			(2,982)
Finance costs			(2,469)
Share of result of an associate			219
Profit before taxation			17,461

Segment profit (loss) represents the profit (loss) before taxation earned (incurred) by each segment without allocation of interest income, fair value loss on derivative financial instruments, central administrative costs, share of result of an associate and finance costs. 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 other information about segment assets and liabilities is available for the assessment of performance of different business activities.

4. Income Tax Expense

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**207**	639
The People's Republic of China ("the PRC") Enterprise Income Tax	**3,206**	823
Other jurisdictions	**201**	602
	3,614	2,064
Deferred tax:		
Current year	**1,216**	(611)
	4,830	1,453

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

A 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 both periods.

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 calculated at the rates prevailing in the relevant jurisdiction.

5. Profit for the Period

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	**26,687**	28,556
Amortisation of intellectual property rights (included in other expenses)	**215**	215
Amortisation of prepaid lease payments	**1,575**	1,392
Loss on disposal of property, plant and equipment	**470**	168
Exchange gain (included in other gains and losses)	**(6,392)**	(327)
Reversal of allowance for inventories	**(336)**	(815)
Fair value loss on derivative financial instruments	**1,728**	1,141
Interest income on bank deposits	**(2,447)**	(3,345)
Government grants received	**(15)**	(2,022)

6. Dividends

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Dividends paid or declared in the period:		
No final dividend declared or paid in respect of the financial year ended 31 December 2013 (2013: Final dividend declared and paid in respect of the financial year ended 31 December 2012 of HK2.0 cents per share)	**–**	15,061

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: HK1.5 cents per share).

7. Earnings Per Share

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**11,279**	16,008
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**754,863,625**	751,626,735
Effect of dilutive potential ordinary shares in respect of share options	**2,329,702**	210,968
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**757,193,327**	751,837,703

8. Movements in Property, Plant and Equipment

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of approximately HK$494,000 (2013: HK$275,000) for cash proceeds of HK$24,000 (2013: HK$107,000), resulting in a loss on disposal of approximately HK$470,000 (2013: HK$168,000).

In addition, during the current period, the Group paid approximately HK$21,667,000 (2013: HK$43,015,000) on the acquisition of property, plant and equipment. No impairment loss was recognised in both periods.

9. 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, which approximated the revenue recognition date, net of allowance for doubtful debts.

	30 June 2014 HK$'000	31 December 2013 HK$'000
Within 30 days	113,801	127,334
31 to 90 days	102,659	113,063
Over 90 days	28,935	27,337
	245,395	267,734

10. Pledged Bank Deposits

At 31 December 2013, the amount represents deposits pledged to banks to secure short-term bank loans granted to the Group and therefore classified as current assets.

11. Trade and Other Payables and Accruals

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

	30 June 2014 HK$'000	31 December 2013 HK$'000
Within 30 days	66,948	72,344
31 to 90 days	73,715	106,903
Over 90 days	16,466	29,067
	157,129	208,314

12. Bank Borrowings

During the current interim period, the Group obtained new bank loans amounting to HK$22,829,000 (2013: HK$110,846,000). The loan carries interest at variable market rates of 1.6% over three-months London Interbank Offered Rate ("LIBOR") (2013: fixed and variable market rates ranging from 1.38% to 4.61% and 1% over LIBOR or Singapore Interbank Offered Rate per annum, respectively). The proceeds were used to finance the acquisition of property, plant and equipment and operations.

At 31 December 2013, the bank borrowings included an amount of HK$78,433,000 which was secured by pledged bank deposits as detailed in note 10. No bank borrowings were secured as at the end of the current reporting period since all the bank borrowings were fully repaid during the period.

13. Share Capital

	Number of ordinary shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2013, 30 June 2013, 31 December 2013 and 30 June 2014	1,000,000,000	100,000
Issued and fully paid:		
At 1 January 2013	750,706,724	75,071
Exercise of share options	2,346,000	234
At 30 June 2013	753,052,724	75,305
Exercise of share options	430,000	43
At 31 December 2013	753,482,724	75,348
Exercise of share options	5,816,000	582
At 30 June 2014	759,298,724	75,930

14. Share Options

The following table discloses movements in the Company's share options to employees during the six months ended 30 June 2014:

	Number of shares subject to share options			
Date of grant	Outstanding at 1 January 2014	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2014
18 January 2012 (Batch I)	3,715,000	(1,669,000)	(61,000)	1,985,000
18 January 2012 (Batch II)	6,491,000	(4,147,000)	(25,000)	2,319,000
Total	10,206,000	(5,816,000)	(86,000)	4,304,000
Exercisable at the end of period				4,304,000

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercisable period	Exercise price HK$
18 January 2012 (Batch I)	12 months	18 January 2013 – 17 January 2017	0.77
18 January 2012 (Batch II)	24 months	18 January 2014 – 17 January 2017	0.77

Share option expense of HK$18,000 (2013: HK$227,000) was recognised in profit or loss during the current interim period.

15. Capital Commitments

As at 30 June 2014, the Group has contracted to acquire property, plant and equipment of HK$6,239,000 (31 December 2013: HK$20,771,000) which has not been provided for in the condensed consolidated financial statements.

16. Related Party Disclosures

During the current interim period, the Group had transactions with a director of the Company and a related party. The transactions during the current interim period are as follows:

(a) Transactions with a related party:

Name of party	Interested directors	Nature of transaction	Six months ended 30 June 2014 HK$'000	2013 HK$'000
Yojin Industrial Corporation	Mr. Huang Ying Yuan *(note i)* Mrs. Huang Chen Li Chu *(note i)*	Rental expenses paid by the Group *(note ii)*	**413**	319

(b) Transactions with a director

Name of director	Nature of transaction	Six months ended 30 June 2014 HK$'000	2013 HK$'000
Mr. Huang Ying Yuan	Rental expenses paid by the Group to a director *(note ii)*	**81**	81

(c) Compensation of key management personnel

The remuneration of directors, who are the key management of the Group, during the period are as follows:

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Short-term employee benefits	**2,795**	3,119

The remuneration of directors was decided by the board of directors, which is reviewed by the Remuneration Committee, having regard to the performance of the individuals and market trends.

Notes:

i. Both Mr. Huang Ying Yuan and Mrs. Huang Chen Li Chu are the controlling shareholders of Yojin Industrial Corporation and have beneficial interests with significant influence in the company.

ii. The rentals were charged in accordance with the terms of the relevant tenancy agreement agreed by both parties.

The above related party transactions constitutes exempted connected transactions or continuing connected transactions as defined under Chapter 14A of the Rules Governing the Listing of Securities on the SEHK.

17. Contingent Liabilities

As at 30 June 2014, the Group has the following contingent liabilities:

(a) The Company and three of its wholly-owned subsidiaries have been named as defendants in a United States District action in respect of an alleged breach of contractual undertakings for an amount of US$2,222,000 (equivalents to HK$17,333,000). The trial date has been set for the case at the United States District Court, Western District of Louisiana on 23 March 2015. The directors of the Company, after considering that this litigation is in its early stage and the outcome of the proceedings is uncertain, are of the opinion that no provision for any potential liability should be made in these condensed consolidated financial statements.

(b) The Company and four of its wholly-owned subsidiaries have been named as joint defendant together with, among others, Baby Trend, Inc. in a United States District Court on the alleged faulty design in a car seat manufactured by the Company under the contract for Baby Trend, Inc. A trial date has not been set. The directors of the Company, after considering that this litigation is in its early stage and the outcome of the proceedings is uncertain, are of the opinion that no provision for any potential liability should be made in these condensed consolidated financial statements.

18. Fair Value Measurements of Financial Instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group has entered into derivative contracts which are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets and liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2014	31 December 2013		
Foreign currency forward contracts classified as derivative financial instruments in the condensed consolidated statement of financial position	**Assets – nil** **Liabilities – nil**	Assets – HK$5,246,000 (Gross settled) Liabilities – HK$2,684,000 (Net settled)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risks of various counterparties.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

19. Potential Disposal Transaction

On 16 June 2014, the Company and its wholly-owned subsidiary, Lerado Group Limited ("LGL"), entered into a sale and purchase agreement (the "Agreement") with Dorel Industries Inc. and its wholly-owned subsidiary, Maxi Miliaan BV Limited ("Maxi Miliaan"), pursuant to which LGL conditionally agreed to sell, and Maxi Miliaan conditionally agreed to buy the entire issued share capital of eight wholly-owned subsidiaries of the Company at a consideration of HK$930,000,000 (the "Disposal"). The Company will discontinue the juvenile and infant product business upon the completion of the Agreement. The Disposal has not been completed at the date on the issue of these condensed consolidated financial statements. Details of which are set out in the circular dated 28 August 2014.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF LERADO GROUP (HOLDING) COMPANY LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Lerado Group (Holding) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 2 to 20, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 August 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group was principally engaged in the design, manufacture and distribution of juvenile and infant products.

During the period under review, the Group's sales revenue was HK$687.6 million (2013: HK$824.8 million), representing a decrease of 16.6% over the corresponding period last year. The United States ("U.S.") is the largest export market of the Group. Sales revenue from U.S. clients was HK$290.8 million, representing a decrease of 22.7% over the corresponding period last year, and accounting for 42.3% of the total revenue of the Group. The Group's revenue from sales to Europe recorded a decrease of 14.0% over the corresponding period last year, with the sales amounting to HK$220.8 million during the period, accounting for 32.1% of the total revenue of the Group. Sales to Australia and South America were HK$31.9 million and HK$22.2 million respectively, which recorded decrease of 9.6% and 29.6% respectively over the corresponding period last year. The sales revenue from the PRC market was HK$53.3 million, representing a decrease of 2.0% over the corresponding period last year, and accounting for 7.8% of the total revenue of the Group.

In terms of products, sales revenue from strollers was HK$286.4 million during the period, representing a decrease of 18.8% over the corresponding period last year, and accounting for 41.7% of the Group's total turnover. Sales of safety car seats recorded a decrease of 11.8% over the corresponding period last year, with the sales revenue amounting to HK$118.4 million, accounting for 17.2% of the total turnover of the Group. Sales revenue from medical products was HK$59.8 million during the period, representing an increase of 11.5% over the corresponding period last year, and accounting for 8.7% of the Group's total turnover. During the period, sales revenue from beds and playards amounted to HK$28.5 million, accounting for 4.2% of the total turnover of the Group.

Prospects

For the year ended 31 December 2013 and the first half of 2014, sales to the U.S. and Europe in aggregate accounted for approximately 75.6% and 74.4% of the Group's total revenue respectively. These two markets are considered the key markets for the bulk of the Group's juvenile and infant products. With the slower than expected economic recovery in the U.S. and Europe, coupled with the declining birth rates experienced by developed countries, the increase in operating costs in the PRC and the continuous appreciation of Renminbi, the export markets of the Group continue to be weak and a rapid turnaround in market conditions is not expected in the near future. In view of such, the Group has considered seriously the prospects of the juvenile and infant product business and has decided to retreat from the market. See more details from the section "Sale of Juvenile and Infant Product Business".

In light of the growing aging population in the PRC and building on the strong demand for the products of the medical business in the overseas markets, the Group intends to expand its medical business into the PRC domestic market. In addition, the Group will explore opportunities to diversify into other business sectors that would benefit from the growing aging population and health consciousness in the PRC.

Financial Review

Consolidated revenue from the Group for the six months ended 30 June 2014 was HK$687.6 million (2013: HK$824.8 million), representing a decrease of 16.6% over the corresponding period last year.

During the period under review, gross profit margin of the Group was 21.2%, representing an increase of approximately 1.9 percentage points as compared to the gross profit margin of 19.3% corresponding period last year. The increase in gross profit margin was mainly due to the price decrease in certain major raw materials.

During the period, marketing and distribution costs was HK$42.1 million (2013: HK$48.8 million), representing a decrease of 13.8% over the corresponding period last year. Administrative expenses amounted to HK$58.3 million (2013: HK$60.1 million), representing a decrease of 3.0%

over the corresponding period last year. Research and development expenses was HK$37.1 million (2013: HK$40.4 million), representing a decrease of 8.2% over the corresponding period last year. The Group fully repaid its bank loans during the period, resulting in a decrease in finance costs to HK$1.3 million (2013: HK$2.5 million), representing a decrease of 49.1% over the corresponding period last year.

For the six months ended 30 June 2014, profit attributable to owners of the Company was HK$11.3 million (2013: HK$16.0 million), representing a decrease of 29.5% over the corresponding period last year. Earnings per share was HK1.49 cents (2013: HK2.13 cents).

Liquidity and Financial Resources

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

During the period, the Group's cash and cash equivalents decreased by HK$19.1 million, mainly comprising HK$32.6 million cash inflow from operating activities, HK$149.1 million from investing activities and HK$198.9 million cash outflow from financing activities.

As at 30 June 2014, the Group's bank balances and cash was HK$200.1 million, which was mainly denominated in United States dollars and Renminbi. At 30 June 2014, the Group's gearing ratio, expressing as total bank borrowings to equity attributable to owners of the Company was zero (31 December 2013: 0.18).

As at 30 June 2014, the Group had net current assets of HK$509.1 million (31 December 2013: HK$494.9 million) and a current ratio of 3.0 (31 December 2013: 1.9). Trade receivable and inventory turnover were 68 days (31 December 2013: 63 days) and 85 days (31 December 2013: 78 days) respectively.

Pledge of Assets

As at 30 June 2014, none of the assets of the Group was pledged.

Exchange Risk Exposure

The Group's monetary assets, liabilities and transactions are mainly denominated in US dollar, Renminbi, Hong Kong dollar, Euro and New Taiwan dollar. As the Group operates substantially in the PRC, in case the Renminbi appreciates, the Group will be affected directly. Although the Group currently does not maintain any hedging policy to hedge against foreign exchange exposure that may arise from the above transactions, the management team continuously assesses the foreign currency exposure, with an aim to minimize the impact of foreign exchange fluctuation on the Group's business operations.

Contingent Liability

As at 30 June 2014, the Group were involved:

(i) in proceedings in relation to certain wholly-owned subsidiaries of the Company which entered into agreements with a U.S. based supplier in August 2002, pursuant to which the supplier appointed the Group as its exclusive distributor for the territories of China and Taiwan for a term of five years. The date of termination of the agreement is still being reviewed.

The supplier initiated proceedings against the Group in the U.S. alleging that the Group owed them outstanding commission of approximately US$2.2 million which is still being reviewed by United States District Court. The Group denied the allegations of the supplier and disputed their claims. A trial date has been set for the case at the United States District Court, Western District of Louisiana on 23 March 2015. As the outcome of the proceedings is uncertain, the Board is of the opinion that no provision for any potential liability would need to be made for the related claims in the consolidated financial statements of the Company as at 30 June 2014.

(ii) as a joint defendant in a civil claim initiated at the United States District Court for the District of Nebraska in April 2014 together with, among others, Baby Trend, Inc. on the alleged faulty design in a car seat manufactured by the Group under contract for Baby Trend, Inc. A trial date has not been set. The outcome of the proceedings is uncertain as at 30 June 2014 and no provisions for any potential liability needs to be made for the related claim in the consolidated financial statements of the Company as at 30 June 2014.

Sale of Juvenile and Infant Product Business

On 16 June 2014, the Company and its wholly-owned subsidiary, Lerado Group Limited ("LGL"), entered into a sale and purchase agreement (the "Agreement") with Dorel Industries Inc. and its wholly-owned subsidiary, Maxi Miliaan BV Limited ("Maxi Miliaan"), pursuant to which LGL conditionally agreed to sell, and Maxi Miliaan conditionally agreed to buy the entire issued share capital of eight wholly-owned subsidiaries of the Company that were responsible for operating the Group's juvenile and infant product business at a consideration of HK$930.0 million (the "Disposal"). The Company will discontinue the juvenile and infant product business upon the completion of the Agreement. The Disposal has not been completed as at 30 June 2014. Details of the Disposal are set out in the circular of the Company dated 28 August 2014.

Employees and Remuneration Policies

As at 30 June 2014, the Group employed a total workforce of around 4,800 staff, of which about 4,600 worked in the PRC, about 140 worked in Taiwan and the remaining worked in Hong Kong and the U.S.A.

Apart from basic salaries, discretionary bonus and contribution to retirement benefits schemes, share options may also be granted to staff with reference to the individual's performance. Moreover, the Group also provides internal and external training to its staff to enable them to achieve self-improvement and to enhance their job related skills.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014.

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.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2014, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in shares and underlying shares of the Company

	Number of shares held as				
Name of director	Beneficial owner	Spouse interest	Corporate interest	Total interests	Approximate percentage of the issued share capital of the Company
Mr. Huang Ying Yuan	2,966,000	1,234,000 *(note 1)*	148,353,540 *(note 2)*	152,553,540	20.1%
Mrs. Huang Chen Li Chu *(Resigned on 22 August 2014)*	1,234,000	2,966,000 *(note 1)*	148,353,540 *(note 2)*	152,553,540	20.1%
Mr. Chen Chun Chieh	1,018,000	–	96,805,800 *(note 3)*	97,823,800	12.9%
Mr. Mak Kwong Yiu	600,000	–	–	600,000	0.1%

Notes:

1. The spouse interest represents the shares held by the spouse of Mr. Huang Ying Yuan and Mrs. Huang Chen Li Chu, respectively. Mrs. Huang Chen Li Chu is the wife of Mr. Huang Ying Yuan.

2. The corporate interest represents the shares held by Intelligence Hong Kong Group Limited, which is controlled by Mr. Huang Ying Yuan and Mrs. Huang Chen Li Chu.

3. The corporate interest represents the shares held by Hwa Foo Investment Limited, which is controlled by Mr. Chen Chun Chieh.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations, which were recorded in the register maintained by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, as at 30 June 2014.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long position in shares and underlying shares of the Company

Name of substantial shareholder	Capacity	Number of shares	Approximate % of the issued share capital
Mr. David Michael Webb	Beneficial owner *(Note)*	60,098,000	7.9%

Note:

Mr. David Michael Webb beneficially owns 15,643,000 shares, and in addition he holds 44,455,000 shares through Preferable Situation Assets Limited, which is 100% directly owned by him.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 30 June 2014.

CORPORATE GOVERNANCE CODE

The Directors consider that the Company has complied with Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2014, save for the deviations as stated below:

Code Provision A.2.1 — The roles of the chairman and the CEO of the Company were not separated and were performed by the same individual, Mr. Huang Ying Yuan throughout the six months ended 30 June 2014.

The Directors meet regularly to consider major matters affecting the operations of the Group. As such, the Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of Group and believes that this structure will enable the Group to make and implement decisions promptly and efficiently.

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 condensed consolidated financial statements for the six months ended 30 June 2014.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code. 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.

By order of the Board

Huang Ying Yuan
Chairman

29 August 2014