



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 2006

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 2006, together with the comparative figures, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

Notes	Six months ended	
	30 June 2006 HK\$'000 (Unaudited)	30 June 2005 HK\$'000 (Unaudited)
Revenue	607,943	536,113
Cost of sales	(456,236)	(445,712)
Gross profit	151,707	90,401
Investment income	3,286	1,102
Other income	5,230	5,185
Marketing and distribution costs	(29,079)	(35,678)
Research and development expenses	(11,194)	(11,860)
Administrative expenses	(41,466)	(42,476)
Other expenses	(2,381)	(2,852)
Finance costs	(1)	(7)
Profit before tax	76,102	3,815
Income tax expense	(5,880)	(1,830)
Profit for the period	70,222	1,985
Attributable to:		
Equity holders of the Company	68,689	2,358
Minority interests	1,533	(373)
	70,222	1,985
Dividends	21,658	25,273
Earnings per share		
— Basic	HK9.51 cents	HK0.33 cent
— Diluted	HK9.51 cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

Notes	30 June 2006	31 December 2005
	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets		
Property, plant and equipment	329,829	331,519
Investment properties	15,700	15,700
Prepaid lease payments	32,957	32,970
Intellectual property rights	24,523	25,677
Interest in an associate	8,100	—
Available-for-sale investments	4,104	4,052
Deferred tax assets	3,030	4,107
	418,243	414,025
Current assets		
Inventories	118,592	121,793
Trade and other receivables	211,165	184,766
Prepaid lease payments	849	870
Loan to an associate	—	8,100
Derivative financial instruments	402	504
Tax recoverable	664	702
Bank balances and cash	237,279	178,423
	568,951	495,158
Current liabilities		
Trade and other payables	195,585	173,275
Tax liabilities	4,036	1,707
Loan from a minority shareholder	780	780
Derivative financial instruments	342	—
	200,743	175,762
Net current assets	368,208	319,396
Total assets less current liabilities	786,451	733,421
Capital and reserves		
Share capital	72,194	72,210
Reserves	687,834	636,199
Equity attributable to equity holders of the Company	760,028	708,409
Minority interests	18,454	16,921
Total equity	778,482	725,330
Non-current liability		
Deferred tax liabilities	7,969	8,091
	786,451	733,421

Notes:

1. Basis of Preparation and Accounting Policies

The condensed financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values. The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2005. In the current interim period, the Group has applied, for the first time, a number of Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments to Hong Kong Accounting Standards ("HKAS (Amendment(s))") and Interpretations (HK(IFRIC) — INT(s)) (hereinafter collectively referred to as "new HKFRS(s)") issued by the HKICPA that are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The application of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required. The Group has not early applied any new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the results and 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 2006		Six months ended 30 June 2005	
	External sales HK\$'000	Segment results HK\$'000	External sales HK\$'000	Segment results HK\$'000
Strollers	287,830	33,839	267,015	3,215
Beds and playdays	65,427	6,980	63,426	493
Miscellaneous infant products*	196,638	25,505	154,760	1,342
Others	58,048	6,835	50,912	522
	607,943	73,159	536,113	5,572
Investment income	3,286		1,102	
Unallocated corporate expenses	(343)		(2,859)	
Profit before tax	76,102		3,815	
Income tax expense	(5,880)		(1,830)	
Profit for the period	70,222		1,985	

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

3. Profit Before Tax

	Six months ended	
	30 June 2006 HK\$'000	30 June 2005 HK\$'000
Profit before tax has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	16,464	15,619
Amortisation of intellectual property rights (included in other operating expenses)	2,039	2,685
Amortisation of prepaid lease payments	414	424
Interest on bank deposits	(2,402)	(606)

4. Income Tax Expense

	Six months ended	
	30 June 2006 HK\$'000	30 June 2005 HK\$'000
The charge (credit) comprises:		
Taxation of the Group		
Current tax:		
— Hong Kong	2,863	2,824
— Other regions of the People's Republic of China (the "PRC")	1,930	277
— Other jurisdictions	149	143
	4,942	3,244
Deferred tax	938	(1,414)
	5,880	1,830

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30 June 2005: 17.5%) of the estimated assessable profit for the period.

Taxation arising in the PRC and other jurisdictions is calculated at the applicable rates prevailing in the relevant jurisdictions.

5. Dividends

	Six months ended	
	30 June 2006 HK\$'000	30 June 2005 HK\$'000
2005 final dividend of HK3 cents (2004 final dividend: HK3.5 cents) per share	21,658	25,273

The directors have determined that an interim dividend of HK2.5 cents (six months ended 30 June 2005: HK1.5 cents) per share would be paid to the shareholders of the Company whose names appear in the Register of Members on 12 October 2006.

6. Earnings Per Share

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

	Six months ended	
	30 June 2006 HK\$'000	30 June 2005 HK\$'000
Profit for the period attributable to equity holders of the Company	68,689	2,358
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	722,046,735	722,096,724
Effect of dilutive potential ordinary shares in respect of share options	108,651	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	722,155,386	722,096,724

For the six months ended 30 June 2005, no diluted earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for that period.

7. Trade and Other Receivables

The Group has defined credit terms which are agreed with its trade customers. Included in trade and other receivables at 30 June 2006 are trade receivables of approximately HK\$181,596,000 (31 December 2005: HK\$164,456,000) and their aged analysis is as follows:

	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
Within 30 days	102,801	88,899
31 to 90 days	66,669	47,292
Over 90 days	12,126	28,265
	181,596	164,456

8. Trade and Other Payables

Included in trade and other payables at 30 June 2006 are trade payables of approximately HK\$143,204,000 (31 December 2005: HK\$128,384,000) and their aged analysis is as follows:

	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
Within 30 days	58,979	53,892
31 to 90 days	78,591	51,010
Over 90 days	5,634	23,482
	143,204	128,384

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2.5 cents per share in cash for the six months ended 30 June 2006 to shareholders whose names appear on the Register of Members of the Company on 12 October 2006. It is expected that the dividend warrants will be sent to the Shareholders no later than 26 October 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 10 to 12 October 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on 9 October 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

The Group recorded consolidated revenue of HK\$607.9 million for the six months ended 30 June 2006, representing an increase of 13.4% over the same period last year. Profit attributable to equity holders amounted to HK\$68.7 million, compared with HK\$2.4 million in the first half of 2005, while basic earnings per share showed a corresponding increase from HK0.33 cent to HK9.51 cents.

The Group's operating pressure in regard to high rise in raw material prices has been released moderately as oil price is staying comparatively stable as compared with the past two years. Following the exercises in reviewing our customer mix and phasing out orders with extremely low margins which were mainly related to lower-end and older models, the Group has been successful in raising its overall gross margin from 16.9% for the six months ended 30 June 2005 to 25.0% of the same period this year.

With the allocation of more resources on research and development, the Group launched a series of new designs and had received warm acceptance from the market. This also contributed to the growth of revenue for the first half this year.

Sales to the Group's two core markets, the United States and Europe, showed an increase of 7.6% and 3.2%, reaching HK\$282.5 million and HK\$155.1 million respectively. Revenue from these two markets represented 46.5% and 25.5% of the Group's total revenue during the period under review.

On the product side, most categories are performing satisfactorily. Strollers, representing 47.3% of the Group's sales, recorded sales of HK\$287.8 million, an increase of 7.8% over the same period last year. Sales of miscellaneous infant products, which consist of products like high chairs, walkers, car seats and soft goods, increased by 27.1% to HK\$196.6 million and contributed to 32.3% of the Group's total revenue.

In the future months, the Group will still keep a close eye on the raw material markets and formulate necessary strategies to cope with the changes. In addition, the Group will strengthen its design capabilities, launching more innovative products as to strive for a bigger market share.

Liquidity and financial resources

As at 30 June 2006, the Group had total cash and bank balances of HK\$237.3 million (31 December 2005: HK\$178.4 million), mainly in US Dollars and Renminbi, and was free of bank borrowings. Accordingly, the Group's gearing ratio, expressed as total bank borrowings to shareholders' fund, is zero (31 December 2005: zero).

As at 30 June 2006, the Group had net current assets of HK\$368.2 million and maintained its current ratio at 2.8. For the six months ended 30 June 2006, trade receivable and inventory turnover were shortened to 52 days and 48 days, as compared with 59 days and 55 days respectively for the same period last year, while trade payable turnover decreased from 60 days to 54 days.

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

As at 30 June 2006, no asset of the Group was under charge.

Investments

As to support the initial development and operations of Weblink Technology Limited ("Weblink"), an associate of the Company, the shareholders of Weblink had loaned to Weblink since its incorporation in proportion to their respective shareholdings. In May 2006, each of the shareholders converted its entire loan into capital in Weblink. Immediately before the conversion, the carry amount of the loan made by the Group as recorded in its balance sheet amounted to approximately HK\$8.1 million.

Except for mentioned above, no new investment was made during the six months ended 30 June 2006.

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 2006, the Group had no significant contingent liabilities.

Employees and remuneration policies

As at 30 June 2006, the Group employed a total workforce of around 6,000 staff members, of which above 5,900 worked in the PRC offices and production sites, above 100 in Taiwan mainly for marketing, sales support and research and development, and 13 in Hong Kong mainly 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 SHARES

During the period, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK\$0.10 each	per share		Aggregate consideration HK\$'000
		Highest HK\$	Lowest HK\$	
May 2006	156,000	0.56	0.55	87

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 RESULTS ON THE STOCK EXCHANGE WEBSITE

The Company's interim report containing all the relevant information required by the Listing Rules will be published on the website of the Stock Exchange in due course.

By order of the Board
Huang Ying Yuan
Chairman

13 September 2006

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 Yang Yu Fu being the Independent Non-executive Directors.

* For identification purposes only