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 2009

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 2009, 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 2009

		Six months ended 30 June	
		2009	2008
	Note	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*2*	**642,500**	726,296
Cost of sales		**(475,460)**	(576,661)
Gross profit		**167,040**	149,635
Investment income		**970**	2,134
Other income		**3,121**	7,682
Marketing and distribution costs		**(58,108)**	(50,202)
Research and development expenses		**(17,751)**	(20,303)
Administrative expenses		**(52,375)**	(51,482)
Other expenses		**(1,400)**	(1,433)
Share of loss of an associate		**(486)**	(31)
Finance costs		**—**	(59)
Profit before taxation		**41,011**	35,941
Income tax expense	*3*	**(6,113)**	(5,441)
Profit for the period	*4*	**34,898**	30,500
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**100**	33,276
Total comprehensive income for the period		**34,998**	63,776

* *For identification purposes only*

	Note	Six months ended 30 June 2009 HK$'000 (unaudited)	2008 HK$'000 (unaudited)
Profit for the period attributable to:			
Owners of the Company		**34,927**	31,881
Minority interests		**(29)**	(1,381)
		34,898	30,500
Total comprehensive income attributable to:			
Owners of the Company		**35,027**	65,157
Minority interests		**(29)**	(1,381)
		34,998	63,776
Earnings per share	*6*		
— Basic		**HK4.81 cents**	HK4.39 cents
— Diluted		**HK4.81 cents**	HK4.38 cents
Interim dividend per share		**HK2.00 cents**	HK1.50 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	Notes	**30 June 2009 *HK$'000* (unaudited)**	31 December 2008 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**318,149**	325,144
Prepaid lease payments		**64,894**	65,644
Intellectual property rights		**7,005**	8,431
Investment in an associate		**6,255**	6,741
Available-for-sale-investments		**4,664**	4,664
Deferred tax assets		**2,205**	2,125
		403,172	412,749
Current assets			
Inventories		**167,347**	204,605
Trade and other receivables and prepayments	*7*	**315,442**	323,443
Prepaid lease payments		**858**	858
Derivative financial instruments		**2,804**	15,297
Taxation recoverable		**852**	852
Bank balances and cash		**239,853**	179,872
		727,156	724,927
Current liabilities			
Trade and other payables and accruals	*8*	**216,373**	223,926
Taxation payables		**12,174**	15,373
Derivative financial instruments		**1,536**	9,785
		230,083	249,084
Net current assets		**497,073**	475,843
Total assets less current liabilities		**900,245**	888,592
Capital and reserves			
Share capital		**72,681**	72,681
Reserves		**806,950**	796,998
Equity attributable to owners of the Company		**879,631**	869,679
Minority interests		**1,466**	1,495
Total equity		**881,097**	871,174
Non-current liability			
Deferred tax liabilities		**19,148**	17,418
Total equity and non-current liability		**900,245**	888,592

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 2008.

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"), which are effective for the Group's financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments.

The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 2). The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior year adjustment has been recognised.

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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 has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, the Group's Executive Directors, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14, "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, primary segment information was analysed on the basis of the types of goods sold by the Group's operating divisions (i.e. strollers, car seats and boosters, beds and playards, miscellaneous infant products and others). However, information reported to the Group's Executive Directors for the purposes of resource allocation and performance assessment focuses more specifically on the principal activities of the Group. The principal activities of the Group included manufacture and distribution of juvenile and infant products, retail sales of juvenile and infant products and others. Accordingly, the Group's reportable segments are redesignated under HKFRS 8.

The Group's reportable segments under HKFRS 8 are therefore as follows:

— manufacture and distribution of juvenile and infant products — manufacture and distribution of strollers, car seats, boosters, beds and playards

— retail sales of juvenile and infant products — retailing of milk powder, diapers, nursery products, food, apparel, strollers and etc.

In addition to the above reportable segments, manufacture and distribution of nursery and other medical care products are reported as "all other segments"

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

An analysis of the Group's revenue and results by operating segment for the period under review is as follows:

Six months ended 30 June 2009

	Manufacture and distribution of juvenile and infant products *HK$'000*	Retail sales of juvenile and infant products *HK$'000*	All others *HK$'000*	Consolidated *HK$'000*
Revenue from external customers	**543,384**	**32,006**	**67,110**	**642,500**
Segment profit (loss)	**58,051**	**(12,630)**	**(3,726)**	**41,695**
Investment income				**970**
Central administrative costs				**(1,168)**
Share of loss of an associate				**(486)**
Profit before taxation				**41,011**
Income tax expense				**(6,113)**
Profit for the period				**34,898**

Six months ended 30 June 2008

	Manufacture and distribution of juvenile and infant products *HK$'000*	Retail sales of juvenile and infant products *HK$'000*	All others *HK$'000*	Consolidated *HK$'000*
Revenue from external customers	651,669	1,044	73,583	726,296
Segment profit (loss)	47,366	(5,996)	(4,710)	36,660
Investment income				2,134
Central administrative costs				(2,763)
Share of loss of an associate				(31)
Finance costs				(59)
Profit before taxation				35,941
Income tax expense				(5,441)
Profit for the period				30,500

Segment profit (loss) represents the profit (loss) earned by each segment without allocation of investment income, central administrative costs, share of loss of an associate and finance costs. This is the measure reported to the Group's Executive Directors for the purpose of resources allocation and segment performance assessment.

The following is an analysis of the Group's assets by operating segments:

	30 June 2009 ***HK$'000***	31 December 2008 *HK$'000*
Manufacture and distribution of juvenile and infant products	**682,279**	743,939
Retails sales of juvenile and infant products	**57,112**	48,392
All others	**137,108**	151,091
Total segment assets	**876,499**	943,422

3. INCOME TAX EXPENSE

	Six months ended 30 June	
	2009 ***HK$'000***	2008 *HK$'000*
Current tax:		
Hong Kong	**669**	3,163
The People's Republic of China ("the PRC") Enterprise Income Tax	**3,469**	3,522
Other jurisdictions	**326**	248
	4,464	6,933
Deferred tax:		
Current year	**1,649**	(1,492)
	6,113	5,441

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% (2008: 16.5%) and 25% (2008: 25%), respectively, for the periods under review.

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.

Starting from 1 January 2008, the Tax Law of the PRC requires withholding tax upon the distribution of undistributed retained profits earned by the PRC subsidiaries to the shareholders. Deferred tax of HK$1,501,000 (2008: nil) for the period has been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to such profits.

As stated in the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, Macau subsidiaries are exempted from Macao Complementary Tax.

4. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	**18,676**	19,651
Amortisation of intellectual property rights (included in other expenses)	**1,400**	1,433
Amortisation of prepaid lease payments	**757**	737
Fair value loss on derivative financial instruments	**1,380**	1,159
Interest income on bank deposits	**(970)**	(2,134)

5. DIVIDENDS

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Dividends paid or declared in the period:		
Final dividend declared and paid for 2008 of HK3.5 cents per share (2008: Final dividend declared and paid for 2007 of HK3.5 cents per share)	**25,438**	25,460

The directors have proposed that an interim dividend of HK2.0 cents (six months ended 30 June 2008: HK1.5 cents) per share will be paid to the shareholders of the Company whose names appear in the Register of Members on 15 October 2009.

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	
	2009	2008
	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)	**34,927**	31,881
	Number of shares	*Number of shares*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**726,814,724**	726,494,724
Effect of dilutive potential ordinary shares in respect of share options	**—**	1,199,423
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**726,814,724**	727,694,147

No diluted earnings per share has been presented for the period ended 30 June 2009 because the exercise price of the Company's share options outstanding for the period was higher than the average market price of the Company's shares.

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 2009	31 December 2008
	HK$'000	*HK$'000*
Within 30 days	**115,268**	118,539
31 to 90 days	**83,034**	91,431
Over 90 days	**28,910**	12,614
	227,212	222,584

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 2009	31 December 2008
	HK$'000	*HK$'000*
Within 30 days	**68,320**	69,753
31 to 90 days	**57,410**	58,306
Over 90 days	**7,718**	8,184
Total	**133,448**	136,243

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2.0 cents per share in cash for the six months ended 30 June 2009 to shareholders whose names appear on the Register of Members of the Company on 15 October 2009. It is expected that the dividend warrants will be sent to the shareholders no later than 29 October 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 13 to 15 October 2009, 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 12 October 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

The Group recorded consolidated revenue of HK$642.5 million (2008: HK$726.3 million) for the six months ended 30 June 2009, representing a decrease of 11.5% over the corresponding period last year. The profit attributable to equity holders was HK$34.9 million (2008: HK$31.9 million), representing a growth of 9.6% as compared to the corresponding period last year. Earnings per share increased to HK4.81 cents from HK4.39 cents of the corresponding period last year.

During the period under review, due to the sharp contraction in demand led by the global financial crisis, the revenue of the Group for the six months ended 30 June 2009 decreased by 11.5% to HK$642.5 million. Sales to US came down by 14.3% and Europe dropped by 15.4%. The Group's retail business in the PRC recorded substantial growth with the sales amounting to HK$32.0 million. Compared to the corresponding period last year, the overall gross profit margin improved from 20.6% to 26.0%. The improvement was mainly attributable to the enhancement in the product mix and a significant decrease in the production cost. During the period under review, the Group has successfully launched a series of new models which carried higher margins. This achievement was mainly due to great contribution brought from the Group's R&D and sales team. The Group also achieved considerable production cost cut-off with the implementation of numerous contingent cost control and streamlined manufacturing measures.

Due to expansion of the Group's retail business in the PRC, both its marketing and distribution costs and administrative expenses increased during the period under review. Meanwhile, research and development costs of the Group decreased by 12.6%, contributed by the implementation of numerous contingent cost control measures.

Revenue from retail business of the Group amounted to approximately HK$32.0 million, whereas operating loss was approximately HK$12.6 million. The Group has proactively explored the PRC market during the period, and the number of shops under direct operation has increased to 50. The operation loss was mainly attributable to a number of proactive investments made by the Group during the period under review, which included increase in manpower and enhancement of operating facilities. The Group has already implemented various policies with the aim to promote operating efficiency and effectiveness. Starting from the second quarter of 2009, the overall performance of the retail segment has reflected distinct improvement.

Prospects

As the global economy was devastated by the global financial crisis, the manufacturing industry found itself in face of a very challenging operating environment amidst weakened market demand. On the other hand, the financial crisis has accelerated the pace of industry integration, providing more expansion opportunities to strong industry players by forcing those weak industry players out of market gradually. The Group will capitalize on the opportunity to increase its market share and further consolidate its leading position in the industry. Given that more orders for advanced new products have been received, the Group is cautiously optimistic towards the turnaround of the sales for the second half of the year. In addition, the management will continue to uphold stringent cost control that is expected to help lower the Group's operating cost and enhance its profit margin for the rest of 2009 and the years beyond.

The PRC still recorded economic growth despite the global financial crisis in the face. It is undeniably one of the emerging economies enjoying the fastest growth around the world. We maintain to be cautiously optimistic towards the future development of the retail market in the Mainland. While striving to source supply with competitiveness, the management will at the same time continue to improve the merchandise design and adjust its product mix according to the needs of individual shop so as to enhance the margin of the Group's retail operation. Moreover, given the swiftly changing market environment in the moment, the Group will adopt a cautious approach to opening retail stores at a suitable pace.

Liquidity and financial resources

The Group 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 2009, the Group had cash and bank balances, mainly in US dollars and RMB, of HK$239.9 million (31 December 2008: HK$179.9 million). Net cash inflow from operating activities during the period amounted to HK$96.2 million, which compared with an outflow of HK$56.5 million for the corresponding period last year. Supported by its strong cash flows, the Group was free of bank borrowings as at 30 June 2009 (31 December 2008: nil).

As at 30 June 2009, the Group had net current assets of HK$497.1 million (31 December 2008: HK$475.8 million) and a current ratio of 3.2 (31 December 2008: 2.9).

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 2009, the Group had no significant contingent liabilities.

Employees and remuneration policies

As at 30 June 2009, the Group employed a total workforce of around 5,300 staff members, of which around 5,200 worked in the PRC offices, production sites and retail shops, 97 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 HK and Macau for finance and administration.

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

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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 the 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 2009.

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

17 September 2009

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Huang Ying Yuan, Mr. Yang Yu Fu, Mrs. 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. Tyrone Lin being the Independent Non-executive Directors.