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LERADO GROUP (HOLDING) COMPANY LIMITED

(隆成集團(控股)有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1225)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

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 2012, 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 2012

		Six months ended 30 June	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**832,511**	859,462
Cost of sales		**(651,709)**	(691,874)
Gross profit		**180,802**	167,588
Other income		**11,168**	12,351
Other gains and losses		**(1,096)**	(7,344)
Marketing and distribution costs		**(57,369)**	(59,660)
Research and development expenses		**(32,028)**	(30,405)
Administrative expenses		**(60,860)**	(61,534)
Other expenses		**(531)**	(673)
Share of result of an associate		**(367)**	612
Finance costs		**(3,645)**	(911)

* *For identification purposes only*

		Six months ended 30 June	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Profit before taxation		**36,074**	20,024
Income tax expense	*4*	**(7,188)**	(7,211)
Profit for the period	*5*	**28,886**	12,813
Other comprehensive (expense) income			
Exchange differences arising on translation		**(6,417)**	16,038
Share of exchange difference of an associate		**42**	163
Total comprehensive income for the period		**22,511**	29,014
Earnings per share	*7*		
— basic		**HK3.85 cents**	HK1.71 cents
— diluted		**HK3.85 cents**	HK1.71 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**461,768**	478,283
Prepaid lease payments		**100,207**	102,505
Intellectual property rights		**1,316**	1,820
Interest in an associate		**6,997**	7,322
Available-for-sale-investments		**3,993**	5,130
Deferred tax assets		**62**	639
Deposits paid for lease premium of land		**4,355**	4,394
		578,698	600,093
Current assets			
Inventories		**272,598**	259,044
Trade and other receivables and prepayments	*8*	**356,651**	359,187
Prepaid lease payments		**2,100**	2,101
Derivative financial instruments		**2,261**	—
Taxation recoverable		**917**	926
Pledged bank deposits	*9*	**411,163**	128,777
Bank balances and cash		**388,075**	371,993
		1,433,765	1,122,028
Current liabilities			
Trade and other payables and accruals	*10*	**291,738**	291,522
Taxation payable		**11,458**	14,125
Bank borrowings	*11*	**569,902**	286,133
Derivative financial instruments		**517**	1,495
		873,615	593,275
Net current assets		**560,150**	528,753
Total assets less current liabilities		**1,138,848**	1,128,846
Capital and reserves			
Share capital		**75,057**	75,057
Reserves		**1,014,258**	1,006,171
Total equity		**1,089,315**	1,081,228
Non-current liability			
Deferred tax liabilities		**49,533**	47,618
Total equity and non-current liability		**1,138,848**	1,128,846

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months ended 30 June 2012

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants 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.

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 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above 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 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 three operating decisions — manufacture and distribution of juvenile and infant products, retail sales of juvenile and infant products and 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 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
- 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 segment revenue and segment results by reportable and operating segments for the period under review:

Six months ended 30 June 2012

	Manufacture and distribution of juvenile and infant products	**Retail sales of juvenile and infant products**	**Others**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
REVENUE				
Segment revenue — external sales	**699,354**	**25,342**	**107,815**	**832,511**
Segment profit (loss)	**48,026**	**(11,178)**	**(4,041)**	**32,807**
Interest income				**6,546**
Fair value gain on derivative financial instruments				**3,073**
Central administrative costs				**(2,340)**
Finance cost				**(3,645)**
Share of result of an associate				**(367)**
Profit before taxation				**36,074**

Six months ended 30 June 2011

	Manufacture and distribution of juvenile and infant products	Retail sales of juvenile and infant products	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
Segment revenue — external sales	710,871	37,571	111,020	859,462
Segment profit (loss)	37,149	(7,628)	(7,214)	22,307
Interest income				2,829
Fair value loss on derivative financial instruments				(3,514)
Central administrative costs				(1,299)
Finance cost				(911)
Share of result of an associate				612
Profit before taxation				20,024

Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of interest income, fair value gain (loss) 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 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	
	2012	2011
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**474**	777
The People's Republic of China (the "PRC")		
Enterprise Income Tax	**3,646**	2,920
Other jurisdictions	**463**	2
	4,583	3,699
Deferred tax:		
Current year	**2,605**	3,512
	7,188	7,211

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.

Pursuant to the relevant laws and regulations in the PRC, a PRC subsidiary of the Company is entitled to an exemption from PRC Enterprise Income Tax for two years starting from its first profit making year, followed by a 50% relief in PRC Enterprise Income Tax rate for the next three years. 2007 is the first year of tax exemption granted to that subsidiary. Under the EIT Law, the relief was ended in 2011 and that subsidiary is subjected to the PRC Enterprise Income Tax rate of 25% in 2012 onwards.

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 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	
	2012	2011
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	**25,736**	22,866
Amortisation of intellectual property rights (included in other expenses)	**531**	673
Amortisation of prepaid lease payments	**1,363**	1,322
Loss on disposal of property, plant and equipment	**1,347**	318
Exchange loss (included in other gains and losses)	**1,740**	1,016
(Reversal) write-down of inventories to net realisable value	**(383)**	352
Impairment loss recognised in respect of property, plant and equipment (included in other gains and losses)	**—**	2,496
Impairment loss recognised in respect of available-for-sale investments (included in other gains and losses)	**1,082**	—
Recovery of trade receivables impaired in prior periods	**(44)**	(2,852)
Fair value (gain) loss on derivative financial instruments	**(3,073)**	3,514
Interest income on bank deposits	**(6,546)**	(2,829)

6. Dividends

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Dividends paid or declared in the period:		
Final dividend declared and paid in respect of the financial year ended 31 December 2011 of HK2.0 cents per share (2011: Final dividend declared and paid in respect of the financial year ended 31 December 2010 of HK6.5 cents per share)	**15,011**	48,787

Subsequent to the end of the current interim period, the directors have determined that an interim dividend of HK2.0 cents per share (2011: nil) will be paid to the owners of the Company whose names appear in the Register of Members on 26 September 2012.

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	
	2012	2011
	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)	**28,886**	12,813
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	**750,570,724**	750,570,724
Effect of dilutive potential ordinary shares in respect of share options	**47,136**	574,833
Number of ordinary shares for the purpose of diluted earnings per share	**750,617,860**	751,145,557

8. 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
	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**129,070**	147,913
31 to 90 days	**95,911**	93,980
Over 90 days	**17,060**	12,287
	242,041	254,180

9. Pledged Bank Deposits

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

10. Trade and Other Payables and Accruals

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

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
Within 30 days	**83,305**	89,390
31 to 90 days	**102,186**	100,006
Over 90 days	**18,487**	15,583
Total	**203,978**	204,979

11. Bank Borrowings

During the current interim period, the Group obtained new bank loans amounting to HK$592,133,000 (2011: HK$150,645,000). The loans carry interest at fixed and variable market rate ranging from 1.43% to 4.57% and 1% to 3.7% over London Interbank Offered Rate or Singapore Interbank Offered Rate per annum (2011: fixed market rate ranging from 1.1% to 1.63%), respectively. All loans are repayable within one year. The proceeds were used to finance the acquisition of property, plant and equipment and operations.

The bank borrowings include an amount of HK$413,902,000 (2011: HK$80,455,000) which is secured by pledged bank deposits as detailed in note 9. The remaining balance is unsecured.

12. Capital Commitments

As at 30 June 2012, the Group has contracted to acquire land use right in the PRC of HK$7,767,000 (31 December 2011: HK$7,838,000) and property, plant and equipment of HK$46,362,000 (31 December 2011: HK$13,298,000).

INTERIM DIVIDENDS

The Board has declared an interim dividend of HK2.0 cents per share in cash for the six months ended 30 June 2012 to shareholders whose names appear on the Register of Members of the Company on 26 September 2012. It is expected that the dividend warrants will be sent to the shareholders no later than 5 October 2012.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 24 to 26 September 2012, 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 21 September 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

During the period under review, the Group was principally engaged in the manufacture of juvenile and infant durables and retail sales of juvenile and infant products in China.

For the six months ended 30 June 2012, the Group recorded consolidated revenue of HK$832.5 million (2011: HK$859.5 million), representing a decrease of 3.1% over the corresponding period last year. The gross profit was HK$180.8 million (2011: HK$167.6 million), representing an increase of 7.9% over the corresponding period last year. Profit attributable to equity holders was approximately HK$28.9 million (2011: HK$12.8 million), representing an increase of 125.4% over the corresponding period last year; earnings per share was HK3.85 cents.

During the reporting period, revenue from export to the US was HK$395.3 million, representing an increase of 3.3% over the corresponding period last year, and accounting for approximately 47.5% of the Group's revenue; export sales to Europe was HK$232.5 million, representing a decrease of 15.2% over the corresponding period last year, and accounting for approximately 27.9% of the Group's revenue. The major reason for the decrease in consolidated revenue of the Group is the declining orders from European clients under the threat of the European sovereign debt crisis.

In terms of products, the Group recorded revenue from strollers of HK$343.9 million during the reporting period, accounting for approximately 41.3% of the Group's total sales, and representing a decrease of 15.8% over the corresponding period last year, mainly attributable to the declining orders from Europe and South America. During the period, revenue from safety car seats continued to growth and recorded sales of HK$107.3 million, representing an increase of 12.9% over the corresponding period last year, mainly attributable to the increase in revenue from export to the US. The Group's safety car seat crash test center in Zhongshan, through which the Group's products can be ensured to meet the highest international standards, is also close to completion. During the period under review, sales of beds and playards and other infant products was HK$235.3 million, representing an increase of 20.8%, which is mainly attributable to the increase in orders from the US and Europe.

Plastic and metal pipes are the major raw materials used in the Group's production of juvenile and infant durables. During the period under review, the prices of such major raw materials dropped. In addition, with the implementation of stringent cost control, profit from manufacturing operation recorded a growth of 29.3% or HK$10.9 million over the corresponding period last year.

In respect of retail sales, segment revenue decreased 32.5% over the corresponding period last year to HK$25.3 million due to slowdown in the PRC economy, weak consumption and intense industry competition, and segment loss was HK$11.2 million. Currently, the Group has 34 retails shops for maternity and infant products due to the closure of three shops since last year.

The US and Europe continue to be the major markets of the Group in the future. We will also explore the PRC market and other emerging markets. Leveraging on our outstanding R&D talents and flexible production capacity, we will continue to provide quality products to our clients for mutual value creation.

In view of the uncertainties regarding the possible implementation of Quantitative Easing 3 in the US and the effectiveness of solutions for the European sovereign debt crisis, we will be cautious and optimistic in facing the challenges ahead to deliver higher returns to the shareholders.

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.

During the period, the Group had net cash inflow of HK$37.7 million (2011: net cash outflow of HK$14.2 million) from its operating activities. Net interest receipt for the period amounted to HK$2.9 million (2011: HK$1.9 million).

As at 30 June 2012, the Group's pledged bank deposit and bank balances and cash, mainly denominated in US dollar and Renminbi, was HK$799.2 million. After deducting bank borrowings of HK$569.9 million, the Group recorded a net pledged bank deposits and bank balances and cash of HK$229.3 million as compared to HK$214.6 million as at 31 December 2011. The borrowings, mainly US dollars bearing interest at fixed and variable market rate, was loans due within one year. At 30 June 2012, the Group's gearing ratio, expressing as total bank borrowings to equity attributable to owners of the Company was 0.52.

As at 30 June 2012, the Group had net current assets of HK$560.1 million (31 December 2011: HK$528.8 million) and a current ratio of 1.6 (31 December 2011: 1.9).

Pledge of Assets

As at 30 June 2012, the Group pledged deposits to banks to secured bank borrowings. The deposits carry interest rates ranging from 2.93% to 5.56% per annum.

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 2012, the Group had no significant contingent liabilities.

Employees and Remuneration Policies

As at 30 June 2012, the Group employed a total workforce of around 5,700 staff members, of which above 5,500 worked in the PRC offices and production sites, 137 in Taiwan mainly for marketing, sales support and research and development, 10 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

The Directors consider that the Company has complied with Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the period ended 30 June 2012, save for deviations as stated hereof:

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 period ended 30 June 2012.

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.

Code Provision A.6.7 — An Executive Director was unable to attend the annual general meeting of the Company held on 28 May 2012 due to his unavoidable business engagement.

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 condensed consolidated financial statements for the six months ended 30 June 2012.

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

30 August 2012

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Huang Ying Yuan, Mrs. 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.