LERADO GROUP 隆成集團

Lerado Group (Holding) Company Limited

Stock Code : 1225

INTERIM REPORT 2015

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 2015, 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 2015

	Notes	Six months ended 30 June 2015 HK$'000 (unaudited)	2014 HK$'000 (unaudited and restated)
Continuing operations			
Revenue	3	**62,610**	71,284
Cost of sales		**(55,338)**	(59,137)
Gross profit		**7,272**	12,147
Other income		**4,989**	2,614
Other gains and losses		**(363)**	367
Marketing and distribution costs		**(3,668)**	(3,947)
Research and development expenses		**(1,235)**	(2,137)
Administrative expenses		**(33,707)**	(12,971)
Gain on fair value changes of held-for-trading investments		**626,518**	–
Share of result of an associate		**–**	(265)
Finance costs		**(200)**	–
Profit (loss) before tax		**599,606**	(4,192)
Income tax expense	4	**(103,231)**	(165)
Profit (loss) for the period from continuing operations	5	**496,375**	(4,357)
Discontinued operation			
Profit for the period from discontinued operation	6	**–**	15,636
Profit for the period attributable to owners of the Company		**496,375**	11,279

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Continued)

For the six months ended 30 June 2015

		Six months ended 30 June	
	Notes	**2015**	2014
		HK$'000	*HK$'000*
		(unaudited)	(unaudited and restated)
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising from translation		**401**	(23,160)
Share of exchange difference of an associate		**–**	84
Total comprehensive income (expense) for the period attributable to owners of the Company		**496,776**	(11,797)
		HK cents	*HK cents*
Earnings (loss) per share	*8*		
From continuing and discontinued operations			
– basic		**60.02**	1.49
– diluted		**59.95**	1.49
From continuing operations			
– basic		**60.02**	(0.58)
– diluted		**59.95**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	30 June 2015 HK$'000 (unaudited)	31 December 2014 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	**107,400**	98,340
Prepaid lease payments	9	**16,150**	16,151
Investment properties		**35,496**	–
Deposits paid for acquisition of property, plant and equipment	9	**103,352**	–
Goodwill	17	**41,318**	–
		303,716	114,491
Current assets			
Inventories		**33,019**	26,598
Trade and other receivables and prepayments	10	**226,884**	128,234
Prepaid lease payments		**206**	203
Held-for-trading investments	11	**702,080**	5,321
Bank balances and cash		**544,911**	796,969
		1,507,100	957,325

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2015

	Notes	**30 June 2015 *HK$'000* (unaudited)**	31 December 2014 *HK$'000* (audited)
Current liabilities			
Trade and other payables and accruals	*12*	**85,422**	90,619
Taxation payable		**26,793**	26,651
Bank borrowings	*13*	**6,152**	–
Bank overdrafts		**5,618**	–
Derivative financial instruments		**425**	–
Deferred consideration	*6*	**307,426**	307,426
		431,836	424,696
Net current assets		**1,075,264**	532,629
Total assets less current liabilities		**1,378,980**	647,120
Capital and reserves			
Share capital	*14*	**95,968**	76,068
Reserves		**1,165,773**	556,798
Total equity		**1,261,741**	632,866
Non-current liability			
Deferred tax liability		**117,239**	14,254
Total equity and non-current liability		**1,378,980**	647,120

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Share capital *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000*	Property revaluation reserve *HK$'000*
At 1 January 2014	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
Loss for the period	–	–	–	–
Share of exchange difference of an associate	–	–	–	–
Gain on revaluation of land and buildings	–	–	–	37,722
Reclassified on disposal of subsidiaries	–	–	–	–
Reclassified on disposal of interest in an associate	–	–	–	–
Recognition of deferred tax liability arising on revaluation of land and buildings	–	–	–	(8,840)
Total comprehensive income (expense) for the period	–	–	–	28,882
Exercise of share options	138	1,080	–	–
Release upon disposal of subsidiaries	–	–	(802)	(154,417)
Share options lapsed during the period	–	–	–	–
Transfer to statutory reserve	–	–	–	–
Dividends recognised as distribution	–	–	–	–
At 31 December 2014	76,068	116,256	38,510	62,366
Profit for the period	–	–	–	–
Exchange differences arising from translation	–	–	–	–
Total comprehensive income for the period	–	–	–	–
Exercise of share options	4,800	29,550	–	–
Recognition of equity settled share-based payments	–	–	–	–
Share options lapsed during the period	–	–	–	–
New shares issued as consideration for acquisition of assets through acquisition of subsidiaries	7,600	35,813	–	–
New shares issued as consideration for acquisition of subsidiaries	7,500	43,500	–	–
At 30 June 2015	95,968	225,119	38,510	62,366

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*
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
–	–	–	–	–	(157,275)	(157,275)
–	–	12,265	–	–	–	12,265
–	–	–	–	–	–	37,722
–	–	(155,911)	–	–	–	(155,911)
–	–	489	–	–	–	489
–	–	–	–	–	–	(8,840)
–	–	(143,157)	–	–	(157,275)	(271,550)
–	–	–	(158)	–	–	1,060
(49,362)	(3,091)	–	–	–	207,672	–
–	–	–	(316)	–	316	–
381	–	–	–	–	(381)	–
–	–	–	–	–	(228,203)	(228,203)
–	–	9,256	20	1,270	329,120	632,866
–	–	–	–	–	496,375	496,375
–	–	401	–	–	–	401
–	–	401	–	–	496,375	496,776
–	–	–	(5,933)	–	–	28,417
–	–	–	9,269	–	–	9,269
–	–	–	(1)	–	1	–
–	–	–	–	–	–	43,413
–	–	–	–	–	–	51,000
–	–	9,657	3,355	1,270	825,496	1,261,741

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash (used in) from operating activities:		
(Increase) decrease in inventories	**(6,146)**	21,312
(Increase) decrease in trade and other receivables and prepayments	**(47,336)**	26,589
Decrease in trade and other payables and accruals	**(11,392)**	(56,613)
Increase in held-for-trading investments	**(70,241)**	–
Other operating cash flows	**(17,502)**	41,361
	(152,617)	32,649
Net cash (used in) from investing activities:		
Deposit paid for acquisition of property, plant and equipment	**(103,352)**	–
Other investing cash flows	**(28,125)**	2,447
Purchases of property, plant and equipment	**(348)**	(21,667)
Acquisition of assets through acquisition of subsidiaries	**3,306**	–
Acquisition of subsidiaries	**247**	–
Placement of pledged bank deposits	**–**	(25,762)
Withdrawal of pledged bank deposits	**–**	185,267
Withdrawal of structured bank deposits	**–**	8,805
Proceeds on disposal of property, plant and equipment	**–**	24
	(128,272)	149,114
Net cash from (used in) financing activities:		
Proceeds from issue of shares upon exercise of share options	**28,417**	4,479
Increase in bank overdraft	**18**	–
Repayment of bank borrowings	**(96)**	(226,268)
New bank borrowings raised	**–**	22,829
	28,339	(198,960)
Net decrease in cash and cash equivalents	**(252,550)**	(17,197)
Cash and cash equivalents at 1 January	**796,969**	219,190
Effect of foreign exchange rate changes	**492**	(1,923)
Cash and cash equivalents at 30 June, represented by		
Bank balances and cash	**544,911**	200,070
Bank overdrafts	**(5,618)**	–
	539,293	200,070

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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, investment 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 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

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 HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

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 the new and revised standards and interpretation that have been issued but not yet effective.

3. SEGMENT INFORMATION

During the current interim period, the Group has acquired a new business of trading of garment accessories which is detailed in note 17. For management purpose, the Group is currently organised as one operating division – medical products and other business, which comprise the manufacturing and distribution of medical care products like powered and non-powered mobility aid, wheel chairs and other durable medical equipment and the manufacture and distribution of plastic toys like swings, slides and children furniture and trading of garment accessories (the "Medical Products and Other Business"). The chief operating decision makers (the "CODM"), the Group's Executive Directors, are of the view that the new business could be applied in the Group's existing products and would further expand the medical business. Accordingly, the CODM review the internal reports for the Medical Products and Other Business as a whole for the purpose of resources allocation and performance assessment. Accordingly, the Group has only one operating segment, which is the Medical Products and Other Business.

As detailed in note 6, the Group discontinued its manufacture and distribution of juvenile and infant products business (the "Juvenile and Infant Product Business") following the disposal of subsidiaries in October 2014.

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**16**	–
The People's Republic of China ("the PRC")		
Enterprise Income Tax	**186**	204
Other jurisdictions	**44**	–
	246	204
Deferred tax:		
Current year	**102,985**	(39)
Income tax expense relating to continuing operations	**103,231**	165

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

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.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

During the period, the Group recognised deferred tax expense amounting to HK$103,000,000 (2014: nil) for the unrealised gain on fair value changes of held-for-trading investments.

5. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Profit (loss) for the period from continuing operations has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	**2,397**	2,173
Amortisation of prepaid lease payments	**221**	221
Loss on disposal of property, plant and equipment	**17**	286
Exchange loss (gain) (included in other gains and losses)	**346**	(653)
Reversal of allowance of inventories	**(626)**	(116)
Reversal of allowance of trade and other receivables	**(599)**	–
Direct write-off of inventories	**783**	–
Interest income on bank deposits	**(1,875)**	(227)
Property rental income	**(1,469)**	–

6. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES

On 16 June 2014, the Company and its wholly-owned subsidiary, Lerado Group Limited (the "Seller"), entered into a sale and purchase agreement (the "S&P Agreement") with Dorel Industries Inc. and its wholly-owned subsidiary, Maxi Miliaan BV (the "Buyer"), being independent third parties of the Group, pursuant to which the Seller conditionally agreed to sell, and the Buyer conditionally agreed to buy the entire issued share capital of eight wholly-owned subsidiaries of the Company, together with their respective subsidiaries (the "Disposed Subsidiaries") which were engaged in the Juvenile and Infant Product Business (the "Disposal"), for a cash consideration of HK$930,000,000 (subject to adjustments) (the "Consideration"). The control and benefits relating to the Disposed Subsidiaries have been transferred to the Buyer on 31 October 2014 (the "Disposal Date") and hence the Group derecognised the relevant assets and liabilities of these subsidiaries on the Disposal Date. After the Disposal, the Group ceased to operate the Juvenile and Infant Product Business and has continued to operate the Medical Products and Plastic Toys Business. The Juvenile and Infant Product Business is treated and presented as discontinued operation. Comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2014 have been re-presented to disclose separately the profit or loss from such a discontinued operation.

The profit or loss for the Juvenile and Infant Product Business for the six months ended 30 June 2014 were as follows:

	HK$'000
Revenue	616,312
Cost of sales	(482,586)
Other income	2,662
Other gains and losses	3,826
Marketing and distribution costs	(38,133)
Research and development expenses	(34,970)
Administrative expenses	(45,553)
Finance costs	(1,257)
Income tax expense	(4,665)
Profit for the period	15,636

Profit for the period from discontinued operation for the six months ended 30 June 2014 include the following:

	HK$'000
Depreciation of property, plant and equipment	24,514
Amortisation of intellectual property rights	215
Amortisation of prepaid lease payments	1,354
Loss on disposal of property, plant and equipment	184
Exchange gain (included in other gains and losses)	(5,739)
Reversal of allowance for inventories	(220)
Fair value loss on derivative financial instruments	1,728
Government grants received	(15)
Bank interest income	(2,220)

During the six months ended 30 June 2014, the Juvenile and Infant Product Business generated net operating cash flows of HK$24,724,000, received HK$135,923,000 in respect of investing activities and used HK$195,156,000 in respect of financing activities.

In accordance with the S&P Agreement, the Consideration is subject to adjustments based on any difference between (1) the reference net assets value (the "Reference NAV") of HK$840,000,000 as stated in the S&P Agreement and (2) the net asset value of the Disposed Subsidiaries as of the Disposal Date adjusted for certain items as specifically stated in the S&P Agreement (the "Actual NAV") as determined pursuant to the accounting policies as agreed under the S&P Agreement in the completion accounts. As at 31 December 2014, cash consideration of HK$852,446,000 has been received by the Group and the remaining consideration of HK$77,554,000 has been kept in an escrow account on behalf of the Group and the Buyer in accordance with the S&P agreement which will be released to the Group at the following date, which is the later of (i) 30 April 2015 and (ii) the date when all claims initiated against the Group in the capacity as the Seller prior to 30 April 2015 have been resolved or withdrawn. On 29 April 2015, the Buyer notified the Group and the escrow agent of various claims made by the Buyer under the S&P Agreement that in aggregate exceed HK$77,554,000 and that the Buyer will not agree to the release of any portion of the escrow balance. However, the Group considers that the Buyer's claims have been barred and the Group shall not be liable for all or any of the claims. Up to the date of the approval for issuance of these condensed consolidated financial statements, these claims have not been resolved and the escrow balance has not been released.

In accordance with the S&P Agreement, if the Actual NAV is greater than the Reference NAV, the Buyer will pay the Group the difference. However, if the Actual NAV is lower than the Reference NAV, the Group will pay the Buyer the difference.

The Buyer has requested a significant downward adjustment to the Consideration of HK$307,426,000 (the "Adjustment") based on the draft completion accounts prepared by the Buyer, whereas the Company considered that an upward adjustment of HK$82,056,000 has to be made to the Consideration. Out of the Consideration, consideration of HK$622,574,000 is not in dispute between the Group and the Buyer. The Group's entitlement to the remaining consideration of HK$307,426,000 is still subject to possible adjustments to the Actual NAV pending the finalisation of the completion accounts of the Disposed Subsidiaries and a report by an independent accountant regarding what appropriate adjustments shall be made to the Actual NAV.

Subsequent to the end of the reporting period, the Buyer and Seller have jointly appointed an independent accountant. Up to the date of the approval for issuance of these condensed consolidated financial statements, the abovementioned uncertainty has not yet been resolved. The adjustment will eventually affect the gain or loss on Disposal to be recognised in the profit or loss.

For the above reasons, consideration in dispute of HK$307,426,000 has been recognised as deferred consideration and included in the Group's current liabilities as at 31 December 2014 and 30 June 2015 which will be released to the profit or loss when the abovementioned uncertainty has been reasonably resolved. An amount of HK$77,554,000 which was kept in the escrow account on behalf of the Group and the Buyer, was recognised as "other receivable" in the Group's consolidated statement of financial position as at 31 December 2014 and 30 June 2015.

7. DIVIDENDS

No dividends were paid, declared or prepared during both interim periods.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: nil).

8. EARNINGS (LOSS) PER SHARE

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

(a) From continuing and discontinued operations

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purposes of basic and diluted earnings (loss) per share (profit for the period attributable to owners of the Company)	**496,375**	11,279
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**827,052,415**	754,863,625
Effect of dilutive potential ordinary shares in respect of share options	**863,666**	2,329,702
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**827,916,081**	757,193,327

(b) ***From continuing operations***

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Profit (loss) for the period from continuing operations	**496,375**	(4,357)

The denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share.

No diluted loss per share from continuing operations is presented for the period ended 30 June 2014 since the assumed exercise of the share options would result in a decrease in diluted loss per share.

(c) ***From discontinued operation***

For 2014, basic earnings per share from discontinued operation was HK2.07 cents per share and diluted earnings per share from discontinued operation was HK2.06 cents per share, which were calculated based on the profit from discontinued operation for the period ended 30 June 2014 of HK$15,636,000 and the denominators detailed above.

9. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

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$17,000 (2014: HK$494,000) with no cash proceeds for the disposal (2014: HK$24,000), resulting in a loss on disposal of approximately HK$17,000 (2014: HK$470,000).

In addition, during the current period, the Group paid approximately HK$348,000 (2014: HK$21,667,000) for the acquisition of property, plant and equipment. No impairment loss was recognised in both periods.

In the opinion of the directors of the Company (the "Director(s)"), the aggregate carrying amount of the Group's leasehold land and buildings as at the end of the current interim period that is carried at revalued amounts does not differ significantly from their estimated fair value. Consequently, no revaluation surplus or deficit has been recognised in the current interim period.

Investment properties

The Group's investment properties as at the end of the current interim period were fair-valued by an independent property valuer not connected with the Group, upon the acquisition of assets and subsidiaries (detailed in notes 16 and 17 respectively). The fair values of the investment properties were determined based on the direct comparison approach that reflects recent comparable prices for similar properties, mainly adjusted for difference in the nature, location and condition of the investment properties under review. The investment properties with carrying amount of approximately HK$6,106,000 was pledged as security for the Group's bank borrowings.

In the opinion of the Directors, the aggregate carrying amount of the Group's investment properties as at the end of the current interim period does not differ significantly from the fair value determined at respective dates of acquisition. Consequently, no fair value change has been recognised directly in profit or loss in the current interim period.

Deposits paid for acquisition of property, plant and equipment

On 15 April 2015 and 27 May 2015, a wholly-owned subsidiary of the Company, 駿勝世紀科技(深圳)有限公司("駿勝世紀"), entered into various agreements (the "Property Agreements") with an independent third party (the "Property Vendor") to acquire 48 blocks of villa under development (the "Properties") located at Dawa County of Liaoning Province, the PRC, at an aggregate consideration of Renminbi 81,503,000 (equivalent to HK$103,352,000) (the "Property Consideration"). The Group intended to develop the Properties as an elderly centre and the Properties are expected to be completed in early 2016. The Group expected to commence providing business services for the elderly in 2016.

At the end of the reporting period, the amount of HK$103,352,000 paid to the Property Vendor has been recognised as deposits paid for acquisition of property, plant and equipment in the condensed consolidated statement of financial position.

Pursuant to the Property Agreements, both 駿勝世紀 and the Property Vendor agreed that if the Properties constructed cannot fulfill certain criteria for operating as an elderly centre within 8 months after 27 May 2015, 駿勝世紀 has absolute discretion to demand the Property Vendor to repurchase the Properties within 3 months since 26 January 2016 at the Property Consideration plus certain amount of compensation as detailed in the announcement dated 28 May 2015.

10. 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 2015 *HK$'000*	31 December 2014 *HK$'000*
Within 30 days	**10,599**	9,829
31 to 90 days	**11,310**	13,445
Over 90 days	**14,536**	2,006
	36,445	25,280

At the end of the reporting period, escrow sum and loan receivable are included in other receivables, which amounting to HK$77,554,000 (2014: HK$77,554,000) and HK$30,000,000 (2014: nil), respectively. The loan receivable from an independent third party is unsecured and interest bearing at 12% per annum, which is repayable within one year from the end of the reporting period and is neither past due nor impaired.

11. HELD-FOR-TRADING INVESTMENTS

	30 June 2015 *HK$'000*	31 December 2014 *HK$'000*
Equity securities listed in Hong Kong	**702,080**	5,321

Subsequently on 28 August 2015, the date of the approval for issuance of these condensed consolidated financial statements, the fair value of the held-for-trading investment has decreased by approximately 11% as compared to the fair value of the held-for-trading investment as at 30 June 2015. As at 30 June 2015, substantial amount of the held-for-trading investment represented investment in certain investees listed in Hong Kong.

12. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	30 June 2015 *HK$'000*	31 December 2014 *HK$'000*
Within 30 days	**12,940**	13,310
31 to 90 days	**6,398**	429
Over 90 days	**21,888**	10,513
	41,226	24,252

13. BANK BORROWINGS

During the current interim period, the Group acquired bank borrowings through the acquisition of subsidiaries as detailed in note 17. The fixed interest rates of the borrowings ranged from 2.2% to 4.5% per annum. All of the bank borrowings are held with repayable on demand clause.

The bank borrowings were secured by personal guarantee and properties provided by a director of a subsidiary who is not a director of the Company, and guarantee provided by The Government of the Hong Kong Special Administrative Region under the Small and Medium Enterprise Loan Guarantee Scheme and charges over the Group's investment property of approximately HK$6,106,000.

14. SHARE CAPITAL

	Number of ordinary shares	**Amount** *HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2014, 30 June 2014, 31 December 2014 and 30 June 2015	1,000,000,000	100,000
Issued and fully paid:		
At 1 January 2014	753,482,724	75,348
Exercise of share options	5,816,000	582

	Number of ordinary shares	Amount
		HK$'000
At 30 June 2014	759,298,724	75,930
Exercise of share options	1,378,000	138
At 31 December 2014	760,676,724	76,068
Exercise of share options	48,000,000	4,800
New shares issued as consideration for the acquisition of assets through acquisition of subsidiaries (Note)	76,000,000	7,600
New shares issued as consideration for the acquisition of subsidiaries (Note)	75,000,000	7,500
At 30 June 2015	959,676,724	95,968

Note: The issuance of shares are non-cash transactions which are detailed in notes 16 and 17 respectively.

15. SHARE OPTIONS

The following table discloses movements in the Company's share options to employees and consultants during the six months ended 30 June 2015:

	Number of shares subject to share options				
Date of grant	**Outstanding at 1 January 2015**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**Outstanding at 30 June 2015**
18 January 2012 (Batch I)	97,000	–	–	(6,000)	91,000
18 January 2012 (Batch II)	97,000	–	–	(6,000)	91,000
12 February 2015	–	75,000,000	(48,000,000)	–	27,000,000
Total	194,000	75,000,000	(48,000,000)	(12,000)	27,182,000
Exercisable at the end of period					27,182,000

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
12 February 2015	N/A	12 February 2015 – 11 February 2017	0.592

In the current interim period, share options were granted on 12 February 2015. The fair values of the options were determined at the date of grant using Black-Scholes option pricing model (the "Black-Scholes Model"). The inputs into the model were as follows:

Grant date share price	HK$0.58
Number of options granted	75,000,000
Exercise price	HK$0.592
Expected volatility	56%
Expected life	1 year
Risk-free rate	0.121%
Expected dividend yield	0%

The Black-Scholes Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on directors' best estimate. Change in variables and assumptions may result in changes in fair value of the options.

Share option expense of HK$9,269,000 (2014: HK$18,000) was recognised in profit or loss during current interim period.

16. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 31 March 2015, a wholly-owned subsidiary of the Company entered into an agreement with China Investment and Finance Group Limited ("CIFG"), an independent third party of the Group and a company listed on the main board of the SEHK, to purchase the entire issued share capital of Garron International Strategic Limited, a wholly-owned subsidiary of CIFG for cash consideration of HK$1,000,000 and issuance and allotment of 76,000,000 ordinary shares by the Company. The transaction was completed on 17 April 2015. This transaction was accounted for as an acquisition of assets as the assets acquired do not meet the definition of a business.

Fair value of assets and liabilities recognised at the date of acquisition:

	HK$'000
Net assets acquired:	
Property, plant and equipment	10,955
Investment properties	29,365
Other receivables	2
Bank balances and cash	4,306
Other payables	(215)
Net assets	44,413
Satisfied by:	
Cash consideration paid	1,000
Consideration shares issued	43,413
	44,413
Net cash inflow arising on acquisition:	
Consideration paid in cash	(1,000)
Less: Bank balances and cash acquired	4,306
	3,306

17. ACQUISITION OF SUBSIDIARIES

On 26 May 2015, the Company entered into an agreement (the "Acquisition Agreement") with China Automotive Interior Decoration Holdings Limited ("CAID"), an independent third party of the Group and a company listed on the main board of SEHK, to purchase the entire issued share capital of Oriental Strategic Limited ("OSL"), a wholly-owned subsidiary of CAID by issuance and allotment of 75,000,000 ordinary shares (the "Consideration Shares") by the Company. The transaction was completed on 16 June 2015 (the "Acquisition Date").

OSL and its wholly-owned subsidiary ("OSL Group") are principally engaged in trading of garment accessories, such as nylon tape, polyester tape and polyester string, which is mainly carried out by the wholly-owned subsidiary of OSL. OSL Group was acquired with the objective of synergising the expertise knowledge in fabric products to the Group's business of manufacturing medical products, and penetrating into new market with the acquired subsidiary's certain sizable clientele.

Pursuant to the Acquisition Agreement, CAID warrants and represents to the Group that for the period from 1 April 2014 to 30 September 2015, the consolidated net profit after tax of OSL Group shall not be less than HK$4 million. In the event that the said guarantee profit is not achieved, CAID shall pay the Company a cash compensation based on a predetermined formula stated in the Acquisition Agreement. The Directors considered the fair value of such contingent consideration is insignificant.

As at the date of the approval for issuance of the condensed consolidated financial statements, the fair value assessments of assets and liabilities of OSL Group (e.g. those of goodwill and intangible asset, if any), had not been finalised and thus, the assets and liabilities of OSL Group recognised at the date of acquisition (see below) has been determined provisionally. Upon finalisation of the valuation, goodwill arising on acquisition and deferred tax may change accordingly. The Directors expect the valuation will be finalised in year 2015.

Assets and liabilities recognised at the date of acquisition (determined on a provisional basis)

	HK$'000
Current assets	
Trade and other receivables	19,725
Bank balances and cash	247
	19,972
Non-current assets	
Investment properties	6,106
Current liabilities	
Trade and other payables	4,055
Bank borrowings	6,248
Bank overdrafts	5,600
Tax payable	68
Derivative financial instruments	425
	16,396

The receivables acquired (which principally comprised trade receivables) with a fair value of HK$13,671,000 at the date of acquisition had gross contractual amounts of HK$13,671,000. All of the contractual cash flows are expected to be collected.

Goodwill arising on acquisition (determined on a provisional basis)

	HK$'000
Consideration Shares issued *(Note)*	51,000
Less: Recognised amount of identifiable net assets acquired	(9,682)
Goodwill arising on acquisition	41,318

Note: The Consideration Shares are measured at the market price on the Acquisition Date.

Goodwill arose on the acquisition of OSL Group because the acquisition included the assembled workforce of OSL Group in fabric products, benefits of expected synergies, revenue growth and future market development. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged either individually or together with any related contracts.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Included in the profit for the interim period is HK$81,000 attributable to OSL Group. Revenue for the interim period includes HK$1,095,000 is attributable to OSL Group.

Had the acquisition of OSL Group been effected at the beginning of the interim period, the total amount of revenue of the Group from continuing operations for the six months ended 30 June 2015 would have been HK$79,996,000, and the amount of the profit for the interim period from continuing operations would have been HK$496,635,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

18. 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 2015 HK$'000	Six months ended 30 June 2014 HK$'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)	8	413

(b) Transactions with a director

Name of director	Nature of transaction	Six months ended 30 June 2015 HK$'000	Six months ended 30 June 2014 HK$'000
Mr. Huang Ying Yuan	Rental expenses paid by the Group to a director (note ii)	-	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 2015 HK$'000	Six months ended 30 June 2014 HK$'000
Short-term employee benefits	2,623	2,795

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.

19. CONTINGENT LIABILITIES

As at 30 June 2015, the Company and its subsidiaries, together with certain Disposed Subsidiaries, are in litigations with two independent third parties. The Company entered into the S&P Agreement (detailed in note 6), pursuant to which the Company agrees to indemnify the Buyer against all losses and claims incurred by the Disposed Subsidiaries in connection with the two litigations described below.

(i) During the year ended 31 December 2013, the Company, a wholly-owned subsidiary and certain Disposed Subsidiaries have been named as defendants in a United States District Court 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 next trial date has been set on 21 September 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.

(ii) During the year ended 31 December 2014, the Company, two of its wholly-owned subsidiaries and two of the Disposed Subsidiaries have been named as joint defendants 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 Group 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.

20. EVENT AFTER THE REPORTING PERIOD

(i) On 23 February 2015, a wholly-owned subsidiary of the Company, Red Honour Holdings Limited ("Red Honour"), entered into a sale and purchase agreement with the vendors, independent third parties of the Group, pursuant to which the vendors conditionally agreed to sell, and Red Honour conditionally agreed to buy the entire issued share capital of a target company (the "Target") for a cash consideration of HK$1,600,000 plus the net asset value of the Target on the completion date recognised in the accounting books under the HKFRSs provided that the consideration payable shall not exceed HK$21,800,000 (the "Acquisition"). The Target is principally engaged in securities brokerage business and intends to engage in margin financing business once the Acquisition is completed.

The Acquisition was completed on 2 July 2015. The acquired subsidiary, Yim Cheong Share Broking and Investment Company Limited ("Yim Cheong"), is a company incorporated in Hong Kong with limited liability and has the Stock Exchange Trading Right and license to carry out Type 1 (Dealing in Securities) regulated activities. Yim Cheong is principally engaged in securities brokerage business and also intends to be engaged in margin financing business. Yim Cheong has subsequently changed the company name to Black Marble Securities Limited on 20 July 2015.

Up to the date of the approval for issuance of these condensed consolidated financial statements, the Directors are still assessing the fair values of Yim Cheong's assets and liabilities to be recognised at the date of acquisition.

As at the date of the approval for issuance of these condensed consolidated financial statements, the fair value assessments of goodwill and intangible assets, if any, of Yim Cheong had not been finalised and thus, the initial accounting for the aforesaid acquisition of equity interest in Yim Cheong has been determined provisionally. Upon finalisation of the valuation, goodwill arising on acquisition may change accordingly. The Directors expect the valuation will be finalised in year 2015.

Assets and liabilities recognised at the date of acquisition (determined on a provisional basis):

	HK$'000
Current assets	
Prepayment, deposits and other receivables	16
Bank balances and cash	20,119
	20,135
Non-current assets	
Property, plant and equipment	84
Statutory deposits placed with SEHK and clearing house	205
	289
Current liabilities	
Accruals and other payables	493

Goodwill arising on acquisition (determined on a provisional basis)

	HK$'000
Cash consideration	21,531
Less: Recognised amount of identifiable net assets acquired	(19,931)
Goodwill arising on acquisition	1,600

Goodwill arose on the acquisition of Yim Cheong because the acquisition included the assembled workforce of Yim Cheong. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged either individually or together with any related contracts.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash flow arising on acquisition

	HK$'000
Deposit paid and recognised as prepayments as at 30 June 2015	800
Cash consideration paid in July 2015	20,731
Less: Cash and cash equivalent balances acquired	(20,119)
	1,412

(ii) The Company proposes to raise not less than HK$431.85 million and not more than HK$444.09 million before expenses by issuing not less than 2,879,030,172 offer shares (the "Offer Share(s)") (assuming no new shares being issued and no shares being repurchased by the Company on or before 8 October 2015 (the "Record Date") and not more than 2,960,576,172 Offer Shares (assuming full exercise of all the outstanding and exercisable share options and no other issue of any shares on or before the Record Date) at the subscription price of HK$0.15 per Offer Share on the basis of three Offer Shares for every one existing share held on the Record Date and payable in full upon application (the "Open Offer") as detailed disclosed in the announcement dated on 18 August 2015.

The Open Offer has not yet completed up to the date of the approval for issuance of these condensed consolidated financial statements and is subject to, among other things, the approval by the independent shareholders at the special general meeting of the Company to be held on 23 September 2015.

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 29, which comprise the condensed consolidated statement of financial position as of 30 June 2015 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.

Emphasis of matter

Without qualifying our review conclusion, we draw attention to note 6 to the condensed consolidated financial statements which indicates that the Group has not reached an agreement with the buyer of the subsidiaries that were engaged in juvenile and infant products business and disposed of during the year ended 31 December 2014 (the "Disposal") in respect of certain items in the calculation of the adjustment to the consideration of the Disposal (the "Adjustment"). As the Adjustment has not been concluded as at the date of this report, the finalisation of the Adjustment may have a material effect on the final amount of consideration to be recognised. This would also have an impact on the profit or loss ultimately recognised in respect of the Disposal. However, the ultimate outcome of this matter cannot be presently determined.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 August 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group was principally engaged in the manufacture and distribution of medical products and other business during the period ended 30 June 2015.

Medical Products and Other Business

During the period under review, Europe replaced US as the largest export market for the medical products and other business of the Group. Sales revenue from European customers increased by 33.9% this period to HK$31.8 million, representing 50.8% of the total revenue from continuing operations. Revenue from US customers decreased by 52.6% this period to HK$16.5 million, accounting for 26.3% of the total revenue from continuing operations.

In terms of products, sales revenue from medical products for the period was HK$51.4 million, representing a decrease of 13.7% over the corresponding period last year and accounted for 82.1% of the total revenue from continuing operations. The decrease was mainly due to the lower demand and less orders from US customers for powered scooters. Sales revenue from plastic toys decreased by 13.6% this period to HK$10.1 million mainly due to the intense competition in the market and the decline in orders from European customers.

Discontinued Juvenile and Infant Products Business

As disclosed in the Company's 2014 annual report, the disposal of the Juvenile and Infant Products Business was completed in October 2014. Pursuant to the sale and purchase agreement dated 16 June 2014 (the "S&P Agreement") with Maxi Miliaan BV (the "Buyer"), a subsidiary of Dorel Industries Inc., the consideration for the disposal is subject to adjustment based on the difference between the Reference NAV of HK$840.0 million and the Actual NAV as determined in the completion accounts. The Buyer has requested a significant downward adjustment of HK$307.4 million to the consideration for the disposal based on the draft completion accounts prepared by the Buyer, whereas the Company considered that an upward adjustment of HK$82.1 million has to be made to the consideration. In July 2015, the Buyer and the Group have jointly appointed an independent accountant who shall determine what adjustments (if any) regarding the disputed items are required to be made to the draft completion accounts. Up to the date of approval of these condensed consolidated financial statements, the dispute has not been resolved and the final consideration for the disposal is yet to be determined.

PROSPECTS

Given the Directors' concrete financial knowledge and background and the Group's solid financial position, the Directors are of the view that it is a suitable time for the Company to take an active approach in generating immediate revenue and diversifying the Company's business portfolio in other business sectors including securities trading, money lending business, and other financial and property investment.

The acquisition of Yim Cheong Share Broking and Investment Company Limited ("Yim Cheong") was completed on 2 July 2015. Yim Cheong is a company incorporated in Hong Kong with limited liability and has the Stock Exchange Trading Right and license to carry out Type 1 (Dealing in Securities) regulated activities and intended to engage in margin financing. Yim Cheong has subsequently changed the company name to Black Marble Securities Limited ("Black Marble Securities") on 20 July 2015.

The Group has also commenced the money lending business in Hong Kong through a wholly-owned subsidiary, BlackMarble Capital Limited ("BlackMarble Capital"). BlackMarble Capital is a licensed money lender in Hong Kong under the Money Lenders Ordinance (Chapter 163 of Laws of Hong Kong).

Directors are of the view that after the above acquisitions, the Group will actively participate as placing agent or underwriter for other listed companies in fund raising activities. Black Marble Securities also acts as a broker in dealing securities for existing clients (including professional investors) and targets to enlarge the customer bases. Directors believe commission income could be generated and enhance the Group's overall earnings. The Group will also generate interest income by way of participating in margin financing business and money lending business.

In order to further expand the business, the Company proposed to raise not less than HK$431.85 million and not more than HK$444.09 million before expenses by issuing not less than 2,879,030,172 Offer Shares by the Company on or before 8 October 2015 and not more than 2,960,576,172 Offer Shares at the subscription price of HK$0.15 per Offer Share on the basis of three Offer Shares for every one existing share held on the Record Date.

The proceeds are intended to be applied in the following manner:

- approximately HK$270 million, representing approximately 63.9% of the net proceeds from the Open Offer for the investment in Black Marble Securities;

- approximately HK$117 million, representing approximately 27.7% of the net proceeds from the Open Offer for the operation of the money-lending business in Hong Kong through BlackMarble Capital;

- approximately HK$18 million, representing approximately 4.3% of the net proceeds from the Open Offer for securities investments; and

- the remaining net proceeds from the Open Offer for general working capital of the Group.

Going forward, with a view to achieving better return and enhancing the expansion of the Group, the Group will put greater effort to expand the existing business and look for potential investment opportunities that can leverage with the financial sectors. Directors are of the view that the securities brokerage business and provision of other financial services will become one of the main operating segments of the Group in future.

FINANCIAL REVIEW

Consolidated revenue from continuing operations for the six months ended 30 June 2015 was HK$62.6 million (2014: HK$71.3 million), representing a decrease of 12.2% over the corresponding period last year. The decrease was mainly due to decrease in sales of medical products.

Gross profit margin of continuing operations for the period was 11.6%, representing a decrease of approximately 5.4 percentage points as compared to the gross profit margin of 17.0% in the corresponding period last year. The decrease was mainly due to higher mould expenses and write-off of inventories.

Profit for the period from continuing operations increased by HK$500.7 million to HK$496.4 million and profit for the period attributable to owners of the Company increased by HK$485.1 million to HK$496.4 million. The improvement was mainly due to the gain on fair value changes of held-for-trading investments of HK$626.5 million which was partly offset by the increase in administrative expenses by HK$20.7 million as compared to the corresponding period last year.

ACQUISITIONS OF ASSETS AND SUBSIDIARIES

On 31 March 2015, the Group entered into a sale and purchase agreement with China Investment and Finance Group Limited, a company of which the shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "SEHK"), pursuant to which the Group acquired assets for cash of HK$1 million and 76.0 million shares of the Company were issued to the vendor as consideration. The acquisition was completed on 17 April 2015.

On 26 May 2015, the Company entered into an agreement with China Automotive Interior Decoration Holdings Limited, a company of which the shares are listed on the main board of SEHK, pursuant to which the Group acquired the business of trading of garment accessories. The acquisition was completed on 16 June 2015, and 75.0 million shares of the Company were issued to the vendor as consideration.

On 15 April 2015 and 27 May 2015, the Group has acquired a total of 48 blocks of villa under development situated at Jinyuan Baoxing Shicheng Estate, Dawa County, in Liaoning Province, PRC at an aggregate cash consideration of Renminbi 81.5 million (approximately HK$103.4 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a conservative policy in its financial management and maintains a solid financial position.

During the period, the Group used HK$152.6 million in its operating activities and HK$128.3 million in its investing activities and had net cash inflow of HK$28.3 million from financing activities. Cash and cash equivalents at 30 June 2015 decreased by HK$252.1 million as compared to HK$797.0 million as at 31 December 2014.

As at 30 June 2015, the Group's bank and cash, mainly denominated in Hong Kong dollar and US dollar, was HK$544.9 million. After deducting bank borrowings of HK$6.2 million and bank overdrafts of HK$5.6 million, the Group recorded a net bank and cash balance of HK$533.1 million as compared to HK$797.0 million as at 31 December 2014. The bank borrowings, mainly denominated in HK dollars, carry interest at fixed rates ranging from 2.2% to 4.5% per annum and were due within one year. As at 30 June 2015, the Group's gearing ratio, defined as total bank borrowings and bank overdrafts to equity, was 0.9% (31 December 2014: zero).

As at 30 June 2015, the Group had net current assets of HK$1,075.3 million (31 December 2014: HK$532.6 million) and a current ratio of 3.5 (31 December 2014: 2.3). Average trade receivable turnovers and average inventory turnovers were 89 days (31 December 2014: 46 days) and 97 days (31 December 2014: 57 days) respectively.

PLEDGE OF ASSETS

The bank borrowings were secured by personal guarantee and properties provided by a director of a subsidiary who is not a director of the Company, and guarantee provided by The Government of the Hong Kong Special Administrative Region under the Small and Medium Enterprise Loan Guarantee Scheme and charges over the Group's investment property of approximately HK$6.1 million.

EQUITY PRICE RISK EXPOSURE

The Group is exposed to equity price risk through its investments in listed securities. Although, the Group currently does not maintain any hedging policy to hedge against the equity price risk, the management team manages this exposure by monitoring the price movements and the changes in market conditions that may affect the value of the investments and will consider taking appropriate actions to minimize the risk.

Subsequently on 28 August 2015, the approval date for issuance of these condensed consolidated financial statements, the fair value of the held-for-trading investments has decreased by approximately 11% as compared to the fair value of the held-for-trading investment as at 30 June 2015.

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. In the event that Renminbi further appreciates, the Group will still 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 2015, the Group was involved in two litigations:

(i) The Company and certain subsidiary and Disposed Subsidiaries have been named as defendants in a United States District Court action in respect of an alleged breach of contractual undertakings of an amount of US$2.2 million. The next trial date has been set on 21 September 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 condensed consolidated financial statements of the Company as at 30 June 2015.

(ii) The Company and certain subsidiaries and Disposed Subsidiaries have been named as joint defendants together with, among others, Baby Trend, Inc. in a United States District Court action on the alleged faulty design in a car seat manufactured by the Group under the contract for Baby Trend, Inc. A trial date has not been set. The Directors, 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 the condensed consolidated financial statements of the Company as at 30 June 2015.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2015, the Group employed a total workforce of around 267 staff members, of which about 229 worked in the PRC, about 14 in Taiwan and the remaining in Hong Kong.

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 2015.

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

Long positions in shares and underlying shares of the Company

Name of director	Number of shares held as			Total interests	Approximate percentage of the issued share capital of the Company
	Beneficial owner	Spouse interest	Corporate interest		
Mr. Huang Ying Yuan	2,966,000	1,234,000 *(note 1)*	148,353,540 *(note 2)*	152,553,540	15.9%
Mr. Chen Chun Chieh	1,018,000	–	96,805,800 *(note 3)*	97,823,800	10.2%
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, Mrs. Huang Chen Li Chu.
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 2015.

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 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 2015, 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 *(Note1)*	68,762,000	7.2%
China Invesment and Finance Group Limited	Beneficial owner *(Note 2)*	73,340,000	7.6%
China Automotive Interior Decoration Holdings Limited	Beneficial owner *(Note 3)*	75,000,000	7.8%

Notes:

1. Mr. David Michael Webb beneficially owns 20,541,000shares, and in addition he holds 48,221,000 shares through Preferable Situation Assets Limited, which is 100% directly owned by him.

2. China Investment and Finance Group Limited owns 73,340,000 shares through its wholly owned New Express Investments Limited.

3. China Automotive Interior Decoration Holdings Limited owns 75,000,000 shares through its wholly owned Link Excellent Limited.

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 2015.

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 2015, 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 2015.

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 2015.

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

28 August 2015