LERADO
LERADO GROUP
隆成集團

Lerado Group (Holding) Company Limited

Stock Code : 1225

Interim Report 2013

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 2013, 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 2013

	Notes	Six months ended 30 June 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited and restated)
Continuing operations			
Revenue	3	824,839	807,169
Cost of sales		(665,570)	(629,112)
Gross profit		159,269	178,057
Other income		10,969	10,939
Other gains and losses		(982)	(943)
Marketing and distribution costs		(48,796)	(46,515)
Research and development expenses		(40,421)	(32,028)
Administrative expenses		(60,113)	(57,717)
Other expenses		(215)	(531)
Share of result of an associate		219	(367)
Finance costs		(2,469)	(3,645)
Profit before tax		17,461	47,250
Income tax expense	4	(1,453)	(7,188)
Profit for the period from continuing operations	5	16,008	40,062
Discontinued operation			
Loss for the period from discontinued operation	6	–	(11,176)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Continued)

For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 *HK$'000* (unaudited)	2012 *HK$'000* (unaudited and restated)
Profit for the period attributable to owners of the Company		16,008	28,886
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising from translation		8,598	(6,417)
Share of exchange difference of an associate		166	42
Total comprehensive income for the period		24,772	22,511
Earnings per share	*8*		
From continuing and discontinued operations			
— basic		HK2.13 cents	HK3.85 cents
— diluted		HK2.13 cents	HK3.85 cents
From continuing operations			
— basic		HK2.13 cents	HK5.34 cents
— diluted		HK2.13 cents	HK5.34 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	488,504	471,032
Prepaid lease payments		102,234	100,847
Intellectual property rights		703	945
Interest in an associate		7,088	7,035
Available-for-sale-investments		641	641
Deferred tax assets		–	80
Deposits paid for prepaid lease payments		10,698	4,441
		609,868	585,021
Current assets			
Inventories		289,652	287,010
Trade and other receivables and prepayments	10	413,538	387,200
Prepaid lease payments		2,785	2,103
Derivative financial instruments	11	2,674	1,732
Taxation recoverable		949	935
Pledged bank deposits	12	124,110	194,833
Bank balances and cash		266,376	332,782
		1,100,084	1,206,595

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2013

	Notes	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
Current liabilities			
Trade and other payables and accruals	*13*	305,859	306,375
Taxation payable		8,698	9,124
Bank borrowings	*14*	229,711	322,184
Derivative financial instruments	*11*	1,904	1,397
		546,172	639,080
Net current assets		553,912	567,515
Total assets less current liabilities		1,163,780	1,152,536
Capital and reserves			
Share capital	*15*	75,305	75,071
Reserves		1,038,960	1,027,481
Total equity		1,114,265	1,102,552
Non-current liability			
Deferred tax liabilities		49,515	49,984
Total equity and non-current liability		1,163,780	1,152,536

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Property revaluation reserve HK$'000
At 1 January 2012 (audited)	75,057	108,343	39,312	133,968
Profit for the period	–	–	–	–
Exchange differences arising from translation	–	–	–	–
Share of exchange difference of an associate	–	–	–	–
Total comprehensive (expense) income for the period	–	–	–	–
Recognition of equity settled share-based payments	–	–	–	–
Share options lapsed during the period	–	–	–	–
Dividends recognised as distribution *(note 7)*	–	–	–	–
At 30 June 2012 (unaudited)	75,057	108,343	39,312	133,968
Profit for the period	–	–	–	–
Exchange differences arising from translation	–	–	–	–
Share of exchange difference of an associate	–	–	–	–
Loss on revaluation of land and buildings	–	–	–	(5,979)
Reversal of deferred tax liability arising on revaluation of land and buildings	–	–	–	2,250
Total comprehensive (expense) income for the period	–	–	–	(3,729)
Exercise of share options	14	88	–	–
Recognition of equity settled share-based payments	–	–	–	–
Share options lapsed during the period	–	–	–	–
Transfer of statutory reserves	–	–	–	–
Dividends recognised as distribution	–	–	–	–
At 31 December 2012 (audited)	75,071	108,431	39,312	130,239
Profit for the period	–	–	–	–
Exchange differences arising from translation	–	–	–	–
Share of exchange difference of an associate	–	–	–	–
Total comprehensive income for the period	–	–	–	–
Exercise of share options	234	1,846	–	–
Recognition of equity settled share-based payments	–	–	–	–
Release of reserve upon deregistration of a subsidiary	–	–	–	–
Share options lapsed during the period	–	–	–	–
Dividends recognised as distribution *(note 7)*	–	–	–	–
At 30 June 2013 (unaudited)	75,305	110,277	39,312	130,239

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
43,997	3,091	140,181	127	1,270	535,882	1,081,228
–	–	–	–	–	28,886	28,886
–	–	(6,417)	–	–	–	(6,417)
–	–	42	–	–	–	42
–	–	(6,375)	–	–	28,886	22,511
–	–	–	587	–	–	587
–	–	–	(37)	–	37	–
–	–	–	–	–	(15,011)	(15,011)
43,997	3,091	133,806	677	1,270	549,794	1,089,315
–	–	–	–	–	11,982	11,982
–	–	19,300	–	–	–	19,300
–	–	71	–	–	–	71
–	–	–	–	–	–	(5,979)
–	–	–	–	–	–	2,250
–	–	19,371	–	–	11,982	27,624
–	–	–	(15)	–	–	87
–	–	–	540	–	–	540
–	–	–	(75)	–	75	–
3,179	–	–	–	–	(3,179)	–
–	–	–	–	–	(15,014)	(15,014)
47,176	3,091	153,177	1,127	1,270	543,658	1,102,552
–	–	–	–	–	16,008	16,008
–	–	8,598	–	–	–	8,598
–	–	166	–	–	–	166
–	–	8,764	–	–	16,008	24,772
–	–	–	(273)	–	–	1,807
–	–	–	227	–	–	227
(32)	–	–	–	–	–	(32)
–	–	–	(36)	–	36	–
–	–	–	–	–	(15,061)	(15,061)
47,144	3,091	161,941	1,045	1,270	544,641	1,114,265

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash from operating activities:		
Decrease (increase) in inventories	**1,883**	(15,429)
(Increase) decrease in trade and other receivables and prepayments	**(26,148)**	1,123
(Decrease) increase in trade and other payables and accruals	**(3,110)**	2,216
Other operating cash flows	**38,689**	49,834
	11,314	37,744
Net cash from (used in) investing activities:		
Withdrawal of pledged bank deposits	**160,260**	79,842
Other investing cash flows	**3,345**	6,546
Proceeds on disposal of property, plant and equipment	**107**	1,065
Placement of pledged bank deposits	**(86,708)**	(364,457)
Purchases of property, plant and equipment	**(43,015)**	(13,779)
Acquisition of prepaid lease payments	**(17,675)**	—
Deposit paid for land use rights	**(6,321)**	—
	9,993	(290,783)
Net cash (used in) from financing activities:		
Repayment of bank borrowings	**(203,777)**	(306,645)
Dividends paid	**(15,061)**	(15,011)
New bank borrowings raised	**110,846**	592,133
Government grants received	**17,720**	—
Proceeds from issue of shares upon exercise of share options	**1,807**	—
	(88,465)	270,477
Net (decrease) increase in cash and cash equivalents	**(67,158)**	17,438
Cash and cash equivalents at 1 January	**332,782**	371,993
Effect of foreign exchange rate changes	**752**	(1,356)
Cash and cash equivalents at 30 June, represented by bank balances and cash	**266,376**	388,075

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

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

HKFRS 10	Consolidated Financial Statements;
HKFRS 11	Joint Arrangements;
HKFRS 12	Disclosure of Interests in Other Entities;
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements; and Disclosure of Interest in Other Entities: Transition Guidance;
HKFRS 13	Fair Value Measurement;
HKAS 19 (as revised in 2011)	Employee Benefits;
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures;
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities;
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income;
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle; and
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information in relation to financial instruments are set out in note 11. Other than the additional disclosures in note 11, the application of HKFRS 13 has not had any material impact on the amounts recognised in these condensed consolidated financial statements.

Except as describe above, the application of the other 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 two operating divisions — manufacture of juvenile and infant products and all others. These divisions are the basis upon which the internal reports are prepared about components of the Group that are regularly reviewed by the chief operating decision makers, the Group's Executive Directors, for the purposes of resource allocation and performance assessment. The operation of retail sales of juvenile and infant products representing retail sales of milk powder, diapers, nursery products, food, apparel, strollers etc. (the "Retail Operations") was discontinued following the close down of all the maternity and infant product retail shops in the PRC on 31 December 2012.

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

- manufacture of juvenile and infant products — manufacture of strollers, car seats, boosters, beds and playards etc.; and

- all others — manufacture medical care products, distribution of juvenile and infant products etc.

Information regarding the above segments is reported below.

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

Six months ended 30 June 2013

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

Six months ended 30 June 2012

	Manufacture of juvenile and infant products HK$'000	All others HK$'000	Consolidated HK$'000
Revenue			
Segment revenue — external sales	699,354	107,815	807,169
Segment profit (loss)	49,108	(4,041)	45,067
Interest income			6,546
Fair value gain on derivative financial instruments			3,073
Central administrative costs			(2,342)
Finance costs			(3,645)
Impairment loss on available-for-sale investment			(1,082)
Share of result of an associate			(367)
Profit before taxation			47,250

Segment profit (loss) represents the profit (loss) before taxation earned (incurred) by 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 costs and impairment loss on available-for-sale investment. 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	
	2013	2012
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**639**	474
The People's Republic of China (the "PRC")		
Enterprise Income Tax	**823**	3,646
Other jurisdictions	**602**	463
	2,064	4,583
Deferred tax:		
Current year	**(611)**	2,605
Income tax expense relating to continuing operations	**1,453**	7,188

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

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

A PRC subsidiary of the Company was regarded as "High-tech Enterprise" since 2009. Accordingly, that PRC subsidiary was subject to a reduced PRC Enterprise Income Tax rate of 15% for both periods.

In 2012, the Group has received an enquiry from the tax authorities in the PRC in relation to the EIT of certain subsidiaries of the Company arising from the Group restructuring in 2010, which may lead to the Group being liable to additional EIT. The subsidiaries of the Company have provided relevant documents to the PRC tax authorities in 2012. Up to the date of authorisation for issue of the interim result for the six months ended 30 June 2013, no written demand has been issued and no further enquires has been received from the PRC tax authorities.

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	
	2013	2012
	HK$'000	*HK$'000*
Profit for the period from continuing operations has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	**28,556**	24,524
Amortisation of intellectual property rights (included in other expenses)	**215**	531
Amortisation of prepaid lease payments	**1,392**	1,363
Loss on disposal of property, plant and equipment	**168**	1,347
Exchange (gain) loss (included in other gains and losses)	**(327)**	1,545
Reversal of allowance for inventories	**(815)**	—
Impairment loss recognised in respect of available-for-sale investments (included in other gains and losses)	**—**	1,082
Reversal of trade receivables impaired in prior periods	**—**	(44)
Fair value loss (gain) on derivative financial instruments	**1,141**	(3,073)
Interest income on bank deposits	**(3,345)**	(6,399)
Government grants received	**(2,022)**	—

6. Discontinued Operation

The Group has closed all of its retail shops in the PRC in relation to the Retail Operations on 31 December 2012 (see note 3). Therefore, the results of Retail Operations are presented as discontinued operation for the period ended 30 June 2012. The comparative figure of the consolidated statement of comprehensive income has been re-presented to reflect the changes.

The results of the Retail Operations for the six months ended 30 June 2012 were as follows:

	HK$'000
Revenue	25,342
Cost of sales	(22,597)
Other income	229
Other gains and losses	(153)
Marketing and distribution costs	(10,854)
Administrative expenses	(3,143)
Income tax expense	—
Loss for the period	(11,176)

Loss for the period for the six months ended 30 June 2012 from discontinued operation include the following:

	HK$'000
Bank interest income	(147)
Depreciation of property, plant and equipment	1,212
Reversal of allowance for inventories	(383)
Exchange loss (included in other gains and losses)	195

During the six months ended 30 June 2012, the Retail Operations used HK$15.4 million from the Group's net operating cash flows, paid HK$0.6 million in respect of investing activities and received HK$20.9 million in respect of financing activities. The amount shown above in respect of the financing activities constitutes financing arrangements with other group companies.

7. Dividends

	Six months ended 30 June	
	2013	2012
	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 2012 of HK2.0 cents per share (2012: Final dividend declared and paid in respect of the financial year ended 31 December 2011 of HK2.0 cents per share)	**15,061**	15,011

Subsequent to the end of the current interim period, the directors have determined that an interim dividend of HK1.5 cents per share (2012: HK2.0 cents) will be paid to the owners of the Company whose names appear in the Register of Members on 26 September 2013.

8. Earnings per Share

(a) For continuing and discontinued operations

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	
	2013	2012
	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)	**16,008**	28,886
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**751,626,735**	750,570,724
Effect of dilutive potential ordinary shares in respect of share options	**210,968**	47,136
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**751,837,703**	750,617,860

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

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Profit for the period from continuing operations	**16,008**	40,062

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

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

Basic loss per share for the discontinued operation is HK1.49 cents per share for the period ended 30 June 2012 which is calculated based on the loss for the period from discontinued operation of HK$11,176,000 in 2012 and the denominators detailed above.

No diluted loss per share for the discontinued operation was presented for the period ended 30 June 2012 since their assumed exercise of the share options would result in a decrease in diluted loss per share.

9. Movements in Property, Plant and Equipment

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of approximately HK$275,000 (2012: HK$2,412,000) for cash proceeds of HK$107,000 (2012: HK$1,065,000), resulting in a loss on disposal of approximately HK$168,000 (2012: HK$1,347,000).

In addition, during the current period, the Group paid approximately HK$43 million (2012: HK$14 million) on the acquisition of property, plant and equipment. No impairment loss was recognised in both periods.

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 2013 HK$'000	31 December 2012 HK$'000
Within 30 days	130,275	128,240
31 to 90 days	119,204	122,054
Over 90 days	31,475	31,579
	280,954	281,873

11. Fair Value Measurements of Derivative

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets and liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2013	31 December 2012		
	HK$'000	*HK$'000*		
Foreign currency forward contracts classified as derivative financial instruments in the statement of financial position	**Assets – 2,674 (Gross settled)** **Liabilities – 1,904 (Net settled)**	Assets – 1,732 (Gross settled) Liabilities – 1,397 (Net settled)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risks of various counterparties.

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

12. 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.

13. Trade and Other Payables and Accruals

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

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
Within 30 days	75,075	76,385
31 to 90 days	113,748	106,222
Over 90 days	19,996	17,947
Total	208,819	200,554

14. Bank Borrowings

During the current interim period, the Group obtained new bank loans amounting to HK$110,846,000 (2012: HK$592,133,000). The loans carry interest at fixed and variable market rates ranging from 1.38% to 4.61% and 1% over London Interbank Offered Rate or Singapore Interbank Offered Rate per annum (2012: fixed market rate ranging from 1.43% to 4.57% and variable market rate ranging from 1% to 3.7%), 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$127,531,000 (2012: HK$61,937,000) which is secured by pledged bank deposits as detailed in note 12. The remaining balance is unsecured.

15. Share Capital

	Number of ordinary shares	**Amount**
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2012, 30 June 2012, 31 December 2012 and 30 June 2013	1,000,000,000	100,000
Issued and fully paid:		
At 1 January 2012 and 30 June 2012	750,570,724	75,057
Exercise of share options	136,000	14
At 31 December 2012	750,706,724	75,071
Exercise of share options	2,346,000	234
At 30 June 2013	753,052,724	75,305

16. Share Options

The following table discloses movements in the Company's share options to employees during the six months ended 30 June 2013:

	Number of shares subject to share options			
	Outstanding at 1 January 2013	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2013
Date of grant				
18 January 2012 (Batch I)	6,846,000	(2,346,000)	(198,000)	4,302,000
18 January 2012 (Batch II)	6,846,000	–	(198,000)	6,648,000
Total	13,692,000	(2,346,000)	(396,000)	10,950,000
Exercisable at the end of period:				
– 18 January 2012 (Batch I)				4,302,000

Details of specific categories of options are as follows:

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

Share option expense of approximately HK$227,000 (2012: HK$587,000) was recognised in profit or loss during the current interim period.

17. Capital Commitments

As at 30 June 2013, the Group has contracted to acquire property, plant and equipment of HK$32,528,000 (31 December 2012: HK$8,337,000) which has not been provided for in the condensed consolidated financial statement.

As at 31 December 2012, the Group has also contracted to acquire lease premium of land of HK$7,921,000.

18. Related Party Disclosures

During the current interim period, the Group had transactions with the directors of the Company or related parties. The transactions during the current interim period are as follows:

(a) *Transactions with related parties:*

Name of party	Interested directors	Nature of transaction	Six months ended 30 June 2013 HK$'000	2012 HK$'000
Yojin Industrial Corporation	Mr. Huang Ying Yuan Mrs. Huang Chen Li Chu *(note i)*	Rental expenses paid by the Group *(note ii)*	319	319

(b) *Transactions with a director*

Name of director	Nature of transaction	Six months ended 30 June 2013 HK$'000	2012 HK$'000
Mr. Huang Ying Yuan	Rental expenses paid by the Group to a director *(note ii)*	81	79

(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 2013 HK$'000	2012 HK$'000
Short-term employee benefits	3,119	2,737

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 Liability

At 30 June 2013, the Company and three of its wholly-owned subsidiaries have been named as defendants in a United States District action in respect of an alleged breach of contractual undertakings for an amount of US$2,222,200 (equivalents to HK$17,333,000). The trial date has been set for the case at the United States District Court, Western District of Louisiana on 12 May 2014. 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 current period ended 30 June 2013.

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 23, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 August 2013

Business Review

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

During the period under review, the Group's sales revenue was HK$824.8 million (2012: HK$807.2 million), representing an increase of 2.2% over the corresponding period last year. The US continued to be the largest export market of the Group. Sales revenue from the US clients was HK$376.4 million, accounting for 45.6% of the total revenue, and representing a decrease of 4.8% over the corresponding period last year. Nevertheless, the Group's revenue from sales to Europe recorded an increase of 10.4%, with the sales amounting to HK$256.7 million during the period, accounting for 31.1% of the total revenue. Sales to Australia and South America were HK$35.3 million and HK$31.6 million respectively, both of which recorded an increase of 29.2%. In respect of the PRC market, for the sake of focusing on the sales of its own brand in the PRC market, the operation of retail shops of maternity and infant products has closed down completely since last year and the sales revenue has accordingly dropped to HK$54.4 million.

In terms of products, sales revenue from strollers was HK$352.9 million during the period, representing an increase of 2.6% over the corresponding period last year, and accounting for 42.8% of the Group's total turnover. Sales of safety car seats recorded an increase of 25.1%, with the sales revenue amounting to HK$134.3 million, accounting for 16.3% of the total turnover. The increase was mainly generated by sales to the US and European customers. During the period, sales revenue from beds and playards amounted to HK$47.3 million, accounting for 5.7% of the total turnover.

Prospects

Despite the economic recovery in the US as reflected by the economic statistics successively announced, the Group believes that the demand and consumption pattern of strollers in the US market has changed. To meet the changing market demand, the Group will gradually launch more strollers suited to the mass market.

The first phrase construction of the plant in Hubei will be completed in around August. Upon completion, part of the strollers' production line will be moved from the plant in Zhongshan to Hubei. The plant in Zhongshan will then devote more resources in the production of safety car seats. Maintaining a high standard in research and development and implementing stringent cost control continuously represent the unswerving core strategy of the Group.

In respect of the PRC market, in light of an enlarging urban population, increasing consumer demand for products quality and possible relaxation of the one-child policy, the Group is optimistic about the future development of juvenile and infant products market. The Group will maintain a prudent approach and sell juvenile and infant products under the brand of "Angel" through various channels such as distributors, hypermarkets, chain stores of maternity and infant products, counters in department stores and online sales.

Financial Review

Consolidated revenue from continuing operations of the Group for the six months ended 30 June 2013 was HK$824.8 million (2012: HK$807.2 million), representing an increase of 2.2% over the corresponding period last year.

During the period under review, gross profit margin of the Group was 19.3%, representing a decrease of approximately 2.8% as compared to the gross profit margin of 22.1% last year. The decrease in gross profit margin was mainly due to the continuous appreciation of RMB against Hong Kong dollar and other major currencies, and the increase in the total staff salary and benefit expenses.

During the period, marketing and distribution costs was HK$48.8 million (2012: HK$46.5 million), representing an increase of 4.9% over the corresponding period last year. Administrative expenses amounted to HK$60.1 million (2012: HK$57.7 million), representing an increase of 4.2% over the corresponding period last year. Striving to enhance the competitiveness of its products, the Group has increased research and development expenses to HK$40.4 million (2012: HK$32.0 million), representing an increase of 26.2% over the corresponding period last year. The Group reduced its bank loans during the period, resulting in a decrease in finance costs to HK$2.5 million (2012: HK$3.6 million), representing a decrease of 32.3% over the corresponding period last year.

Last year, the Group has received an enquiry from the tax authorities in the PRC in relation to the enterprise income tax of certain subsidiaries of the Group arising from the Group restructuring in 2010. As at the date of authorisation for issue of the interim result for the six months ended 30 June 2013, no written demand has been issued by and no further enquires has been received from the PRC tax authorities.

For the six months ended 30 June 2013, profit attributable to the shareholders was HK$16.0 million (2012: HK$28.9 million), representing a decrease of 44.6% over the corresponding period last year. Earnings per share was HK2.13 cents (2012: HK3.85 cents).

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$11.3 million from its operating activities, generated HK$10.0 million from investing activities and used HK$88.5 million in financing activities. Cash and cash equivalent decreased by HK$67.2 million compared with the corresponding period last year.

As at 30 June 2013, the Group's bank balances and cash together with pledged bank deposit, mainly denominated in US dollar and Renminbi, was HK$390.5 million. After deducting bank borrowings of HK$229.7 million, the Group recorded a net bank balances and cash together with pledged bank deposits of HK$160.8 million as compared to HK$205.4 million as at 31 December 2012. The borrowings, mainly US dollars bearing interest at fixed and variable market rate, was loans due within one year. At 30 June 2013, the Group's gearing ratio, expressing as total bank borrowings to equity attributable to owners of the Company was 0.21 (31 December 2012: 0.29).

As at 30 June 2013, the Group had net current assets of HK$553.9 million (31 December 2012: HK$567.5 million) and a current ratio of 2.0 (31 December 2012: 1.9). Trade receivable and inventory turnover were 62 days (31 December 2012: 58 days) and 79 days (31 December 2012: 75 days) respectively.

Pledge of Assets

As at 30 June 2013, the Group pledged certain deposits to banks to secured its bank borrowings. The deposits carry interest rates ranging from 2.04% to 2.32% per annum.

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 2013, we are involved in proceedings in relation to certain wholly-owned subsidiaries of the Company which entered into agreements with a U.S. based supplier in August 2002, pursuant to which the supplier appointed us as its exclusive distributor for the territories of China and Taiwan for a term of five years. The agreement was not extended and terminated in 2007. Under the terms of the agreement, we were required to pay to the supplier a commission on all items purchased from the supplier.

The supplier initiated proceedings against us in the U.S. alleging we owed them outstanding commission of approximately US$2.2 million which is still being reviewed. We deny the allegations of the supplier and dispute their claims. A trial date has been set for the case at the United States District Court, Western District of Louisiana for 12 May 2014. As the outcome of the proceedings is uncertain, no provision has been made for the related claims in our financial statements for the period ended 30 June 2013.

Employees and Remuneration Policies

As at 30 June 2013, the Group employed a total workforce of around 5,800 staff members, of which about 5,600 worked in the PRC, about 130 in Taiwan and the remaining in Hong Kong and the U.S.A.

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

INTERIM DIVIDENDS

The Board has declared an interim dividend of HK1.5 cents per share in cash for the six months ended 30 June 2013 to shareholders whose names appear on the Register of Members of the Company on 26 September 2013. It is expected that the dividend warrants will be sent to the shareholders on 8 October 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 24 to 26 September 2013, 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 23 September 2013.

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

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2013, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long positions in shares and underlying shares of the Company

	Number of shares held as				Approximate percentage of the issued share
Name of director	Beneficial owner	Spouse interest	Corporate interest	Total interests	capital of the Company
Mr. Huang Ying Yuan	2,966,000	1,234,000 *(note 1)*	148,353,540 *(note 2)*	152,553,540	20.3%
Mrs. Huang Chen Li Chu	1,234,000	2,966,000 *(note 1)*	148,353,540 *(note 2)*	152,553,540	20.3%
Mr. Chen Chun Chieh	1,018,000	–	96,805,800 *(note 3)*	97,823,800	13.0%

Notes:

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

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

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

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations, which were recorded in the register maintained by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code, as at 30 June 2013.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

LONG POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of substantial shareholder	Capacity	Number of shares	Approximate % of the issued share capital
Mr. David Michael Webb	Beneficial owner *(Note)*	60,230,000	8.0%

Note:

Mr. David Michael Webb beneficially owns 12,072,000 shares, and in addition he holds 48,158,000 shares through Preferable Situation Assets Limited, which is 100% directly owned by him.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 30 June 2013.

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 2013, 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 2013.

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 2013.

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.

By order of the Board

Huang Ying Yuan
Chairman

30 August 2013