LERADO GROUP 隆成集團

LERADO GROUP (HOLDING) COMPANY LIMITED
（隆成集團（控股）有限公司）*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1225)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

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, together 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

		Six months ended 30 June	
	Notes	**2015**	2014
		HK$'000	*HK$'000*
		(unaudited)	(unaudited and restated)
Continuing operations			
Revenue	*3*	**62,610**	71,284
Cost of sales		**(55,338)**	(59,137)
Gross profit		**7,272**	12,147

* *For identification purposes only.*

	Notes	Six months ended 30 June 2015 HK$'000 (unaudited)	2014 HK$'000 (unaudited and restated)
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		**–**	15,636
Profit for the period attributable to owners of the Company		**496,375**	11,279
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	*7*		
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		**107,400**	98,340
Prepaid lease payments		**16,150**	16,151
Investment properties		**35,496**	—
Deposits paid for acquisition of property, plant and equipment		**103,352**	—
Goodwill		**41,318**	—
		303,716	114,491
Current assets			
Inventories		**33,019**	26,598
Trade and other receivables and prepayments	*8*	**226,884**	128,234
Prepaid lease payments		**206**	203
Held-for-trading investments	*9*	**702,080**	5,321
Bank balances and cash		**544,911**	796,969
		1,507,100	957,325
Current liabilities			
Trade and other payables and accruals	*10*	**85,422**	90,619
Taxation payable		**26,793**	26,651
Bank borrowings	*11*	**6,152**	—
Bank overdrafts		**5,618**	—
Derivative financial instruments		**425**	—
Deferred consideration		**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

	Notes	30 June 2015 HK$'000 (unaudited)	31 December 2014 HK$'000 (audited)
Capital and reserves			
Share capital		**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

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.

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. 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.

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. 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).

7. 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.

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 60 days to its customers. The following is an analysis of trade receivables by age, presented based on the invoice date, which approximated the revenue recognition date, net of allowance for doubtful debts.

	30 June 2015	31 December 2014
	HK$'000	*HK$'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

9. HELD-FOR-TRADING INVESTMENTS

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

Subsequently on 28 August 2015, the approval date 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.

10. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	30 June 2015	31 December 2014
	HK$'000	*HK$'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

11. BANK BORROWINGS

During the current interim period, the Group acquired bank borrowings through the acquisition of subsidiaries. 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.

12. 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").

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.

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 approval 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.

13. 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 on the approval of these condensed consolidated financial statements, the directors of the Company (the "Director(s)") 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 issuance of the 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 of the Company expect the valuation will be finalised in year 2015.

(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 approval 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.

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 investment 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

At 30 June 2015, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in shares and underlying shares of the Company

	Number of shares held as				Approximate percentage of the issued share capital
Name of Director	**Beneficial owner**	**Spouse interest**	**Corporate interest**	**Total interests**	**of the Company**
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 Investment 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%

Note:

1. Mr. David Michael Webb beneficially owns 20,541,000 shares, 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.

EXTRACT OF REPORT ON REVIEW

The following is the extract of the Report on Review of Condensed Consolidated Financial Statements from the external auditors of the Company, Messrs. Deloitte Touche Tohmatsu:

"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 12 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."

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.

On behalf of the Board
Lerado Group (Holding) Company Limited
Huang Ying Yuan
Chairman

Hong Kong, 28 August 2015

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Huang Ying Yuan, Mr. Chen Chun Chieh, Mr. Huang Shen Kai and Mr. Lai Kin Chung, Kenneth being the Executive Directors, and Mr. Mak Kwong Yiu, Mr. Ye Jianxin and Mr. Chern Shyh Feng being the Independent Non-executive Directors.