



Lerado Group (Holding) Company Limited

Stock Code : 1225

Interim  
Report || 08





## 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 2008, together with the comparative figures, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the Six Months Ended 30 June 2008

	NOTES	Six months ended 30 June	
		2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Revenue	3	726,296	600,590
Cost of sales		(576,661)	(493,095)
Gross profit		149,635	107,495
Investment income		2,134	10,972
Other income		7,682	5,043
Marketing and distribution costs		(50,202)	(44,129)
Research and development expenses		(20,303)	(14,789)
Administrative expenses		(51,482)	(45,141)
Other expenses		(1,433)	(1,897)
Share of loss of an associate		(31)	(381)
Finance costs		(59)	(2)
Profit before taxation		35,941	17,171
Income tax expense	4	(5,441)	(4,462)
Profit for the period	5	30,500	12,709
Attributable to:			
– Equity holders of the Company		31,881	13,203
– Minority interests		(1,381)	(494)
		30,500	12,709
Dividends	6	25,460	39,891
Earnings per share	7		
– Basic		HK4.39 cents	HK1.82 cents
– Diluted		HK4.38 cents	HK1.81 cents

**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30 June 2008

		<b>30 June 2008</b>	31 December 2007
	<i>NOTES</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	8	327,512	321,106
Prepaid lease payments		66,533	63,213
Intellectual property rights		10,553	11,232
Investment in an associate		7,675	7,487
Available-for-sale-investments		4,679	4,347
Deferred tax assets		3,266	1,703
		<b>420,218</b>	<b>409,088</b>
Current assets			
Inventories		206,769	179,903
Trade and other receivables and prepayments	9	305,147	210,653
Prepaid lease payments		916	849
Derivative financial instruments		9,741	21,676
Taxation recoverable		854	802
Bank balances and cash		156,784	159,280
		<b>680,211</b>	<b>573,163</b>
Asset classified as held for sale		—	88,036
		<b>680,211</b>	<b>661,199</b>



## CONDENSED CONSOLIDATED BALANCE SHEET

(Continued)

At 30 June 2008

		30 June 2008	31 December 2007
	NOTES	HK\$'000 (unaudited)	HK\$'000 (audited)
Current liabilities			
Trade and other payables and accruals	10	215,025	213,923
Taxation payables		13,016	6,064
Loan from a minority shareholder of a subsidiary	11	780	780
Derivative financial instruments		7,210	11,048
		236,031	231,815
Liabilities associated with an asset classified as held for sale		—	12,242
		236,031	244,057
Net current assets		444,180	417,142
Total assets less current liabilities		864,398	826,230
Capital and reserves			
Share capital		72,742	72,532
Reserves		776,156	734,115
Equity attributable to equity holders of the Company		848,898	806,647
Minority interests		2,974	7,128
Total equity		851,872	813,775
Non-current liability			
Deferred tax liabilities		12,526	12,455
		864,398	826,230



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 June 2008

	Attributable to equity holders of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Property revaluation reserve HK\$'000	Statutory surplus reserve fund HK\$'000
At 1 January 2007 (audited)	72,194	89,984	38,510	61,414	20,558
Exchange differences arising from translation	–	–	–	–	–
Deferred tax liability arising on change in tax rate	–	–	–	(6,643)	–
Net income recognised directly in equity	–	–	–	(6,643)	–
Profit for the period	–	–	–	–	–
Total recognised income for the period	–	–	–	(6,643)	–
Exercise of share options	335	1,992	–	–	–
Share options lapsed during the period	–	–	–	–	–
Employee share-based payments	–	–	–	–	–
Dividends recognised as distributions	–	–	–	–	–
At 30 June 2007 (unaudited)	72,529	91,976	38,510	54,771	20,558
Exchange differences arising from translation	–	–	–	–	–
Share of changes in equity of associates that recognised directly in equity	–	–	–	–	–
Revaluation surplus on land and buildings	–	–	–	13,072	–
Deferred tax liability arising on revaluation of properties	–	–	–	(2,338)	–
Net income recognised directly in equity	–	–	–	10,734	–
Profit for the period	–	–	–	–	–
Total recognised income for the period	–	–	–	10,734	–
Exercise of share options	3	18	–	–	–
Share options lapsed during the period	–	–	–	–	–
Employee share-based payments	–	–	–	–	–
Transfer of statutory reserves	–	–	–	–	6,732
Dividends recognised as distributions	–	–	–	–	–
Dividends paid to minority interests	–	–	–	–	–
At 31 December 2007 (audited)	72,532	91,994	38,510	65,505	27,290



Attributable to equity holders of the Company

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	Minority interests HK\$'000	Total HK\$'000
3,091	19,828	810	1,147	464,691	772,227	8,211	780,438
–	11,269	–	–	–	11,269	–	11,269
–	–	–	–	–	(6,643)	–	(6,643)
–	11,269	–	–	–	4,626	–	4,626
–	–	–	–	13,203	13,203	(494)	12,709
–	11,269	–	–	13,203	17,829	(494)	17,335
–	–	(518)	–	–	1,809	–	1,809
–	–	(34)	–	34	–	–	–
–	–	223	–	–	223	–	223
–	–	–	–	(39,891)	(39,891)	–	(39,891)
3,091	31,097	481	1,147	438,037	752,197	7,717	759,914
–	19,722	–	–	–	19,722	–	19,722
–	(148)	–	–	–	(148)	–	(148)
–	–	–	–	–	13,072	–	13,072
–	–	–	–	–	(2,338)	–	(2,338)
–	19,574	–	–	–	30,308	–	30,308
–	–	–	–	34,819	34,819	49	34,868
–	19,574	–	–	34,819	65,127	49	65,176
–	–	(5)	–	–	16	–	16
–	–	(43)	–	43	–	–	–
–	–	186	–	–	186	–	186
–	–	–	–	(6,732)	–	–	–
–	–	–	–	(10,879)	(10,879)	–	(10,879)
–	–	–	–	–	–	(638)	(638)
3,091	50,671	619	1,147	455,288	806,647	7,128	813,775

**CONDENSED CONSOLIDATED STATEMENT  
OF CHANGES IN EQUITY***For the Six Months Ended 30 June 2008*

	Attributable to equity holders of the Company				
	Share capital	Share premium	Special reserve	Property revaluation reserve	Statutory surplus reserve fund
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exchange differences arising from translation	–	–	–	–	–
Transfer on disposal of relevant properties	–	–	–	(15,043)	–
Net income recognised directly in equity	–	–	–	(15,043)	–
Profit for the period	–	–	–	–	–
Total recognised income for the period	–	–	–	(15,043)	–
Exercise of share options	210	1,276	–	–	–
Share options lapsed during the period	–	–	–	–	–
Employee share-based payments	–	–	–	–	–
Acquisition of additional interests in a subsidiary	–	–	–	–	–
Capital contribution from a minority shareholder	–	–	–	–	–
Transfer from statutory reserves	–	–	–	–	(6)
Dividends recognised as distributions	–	–	–	–	–
At 30 June 2008 (unaudited)	72,742	93,270	38,510	50,462	27,284

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The special reserve represents the difference between the nominal value of shares of Lerado Group Limited together with its share premium and the nominal value of the Company's shares issued for the acquisition at the time of a group reorganisation.



Attributable to equity holders of the Company

Enterprise expansion fund <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
–	33,276	–	–	–	33,276	–	33,276
–	–	–	–	15,043	–	–	–
–	33,276	–	–	15,043	33,276	–	33,276
–	–	–	–	31,881	31,881	(1,381)	30,500
–	33,276	–	–	46,924	65,157	(1,381)	63,776
–	–	(350)	–	–	1,136	–	1,136
–	–	(16)	–	16	–	–	–
–	–	1,418	–	–	1,418	–	1,418
–	–	–	–	–	–	(6,122)	(6,122)
–	–	–	–	–	–	3,349	3,349
–	–	–	–	6	–	–	–
–	–	–	–	(25,460)	(25,460)	–	(25,460)
3,091	83,947	1,671	1,147	476,774	848,898	2,974	851,872



**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the Six Months Ended 30 June 2008

	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)
Net cash (used in) from operating activities:		
Increase in trade and other receivables and prepayments	(92,735)	(28,721)
Other operating cash flows	36,205	32,655
	(56,530)	3,934
Net cash from (used in) investing activities:		
Proceeds on disposal of asset classified as held for sale	79,156	—
Purchase of property, plant and equipment	(8,662)	(13,330)
Other investing cash flows	1,355	6,753
	71,849	(6,577)
Net cash used in financing activities:		
Dividend paid	(25,460)	(39,891)
Other financing cash flows	1,136	(3)
	(24,324)	(39,894)
Net decrease in cash and cash equivalents	(9,005)	(42,537)
Cash and cash equivalents at 1 January	159,280	259,839
Effect of foreign exchange rate changes	6,509	1,535
Cash and cash equivalents at 30 June, representing bank balances and cash	156,784	218,837



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2008

### 1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### 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 values, as appropriate.

The principal accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations (“new Interpretations”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2008.

HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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The adoption of these new Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.



HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>4</sup> Effective for annual periods beginning on or after 1 October 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards or interpretation will have no material impact on the results and financial position of the Group.



### 3. Segment Information

The Group's primary format for reporting information is business segment. An analysis of the Group's segment revenue and segment result for the period by business segment is as follows:

#### **Business Segments**

	Six months ended 30 June 2008		Six months ended 30 June 2007	
	External sales	Segment results	External sales	Segment results
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Strollers	286,114	13,215	277,375	4,490
Car seats and boosters	102,080	10,374	74,163	1,329
Beds and playards	54,566	2,162	43,886	546
Miscellaneous infant products*	187,924	5,266	151,027	155
Others**	95,612	4,039	54,139	62
	<u>726,296</u>	<u>35,056</u>	<u>600,590</u>	<u>6,582</u>
Investment income		2,134		10,972
Unallocated corporate expenses		(1,159)		—
Share of loss of an associate		(31)		(381)
Finance costs		(59)		(2)
Profit before taxation		<u>35,941</u>		<u>17,171</u>
Income tax expense		<u>(5,441)</u>		<u>(4,462)</u>
Profit for the period		<u>30,500</u>		<u>12,709</u>

\* Miscellaneous infant products mainly include soft goods, high chairs, bouncers, walkers and etc.

\*\* Others mainly included medical care products and ride-on cars.

**Geographical Segments**

An analysis of the Group's segment revenue for the period by geographical segment is as follows:

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
External sales:		
United States of America ("US")	319,483	269,089
Europe	218,803	166,526
Australia	30,780	26,091
South America	55,907	52,312
Others*	101,323	86,572
	<b>726,296</b>	<b>600,590</b>

\* Others mainly include the People's Republic of China ("The PRC"), Taiwan and Canada etc.

**4. Income Tax Expense**

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Current tax charge:		
Hong Kong	3,163	2,698
The PRC	3,522	779
Other jurisdictions	248	860
	<b>6,933</b>	<b>4,337</b>
Overprovision in prior years:		
The PRC	—	(779)
Deferred tax (credit) charge:		
Current year	(1,492)	152
Effect of change in tax rate	—	752
	<b>(1,492)</b>	<b>904</b>
	<b>5,441</b>	<b>4,462</b>



Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30 June 2008. The estimated average annual tax rate used is 16.5% (2007: 17.5%) for the six months ended 30 June 2008.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. The New Law and the Implementation Regulation have changed the tax rate from 33% to 25% for the Group's subsidiaries from 1 January 2008.

Taxation arising in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full final year. The estimated annual tax rate used is 25% (2007: 25%) for the six months ended 30 June 2008.

## 5. Profit for the Period

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	19,651	16,728
Amortisation of intellectual property rights	1,433	1,897
Amortisation of prepaid lease payments	737	419
Fair value loss (gain) on derivative financial instruments	1,159	(6,080)
Interest income on bank deposits	(2,134)	(4,891)

**6. Dividends**

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends paid or declared in current period:		
Final dividend declared and paid for 2007 of HK3.5 cents (2007: Final dividend declared and paid for 2006 of HK5.5 cents) per share	25,460	39,891

The directors have proposed that an interim dividend of HK1.5 cents (six months ended 30 June 2007: HK1.5 cents) per share for the period will be paid to the shareholders of the Company whose names appear in the Register of Members of the Company on 15 October 2008.

**7. Earnings Per Share**

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to equity holders of the Company	31,881	13,203
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	726,494,724	724,253,531
Effect of dilutive potential ordinary shares in respect of share options	1,199,423	3,510,827
Weighted average number of ordinary shares for the purpose of diluted earnings per share	727,694,147	727,764,358



## 8. Movements in Property, Plant and Equipment and Asset Classified as Held for Sale

During the period, the Group completed the disposal of certain properties classified as asset held for sale as at 31 December 2007 for a proceed of approximately HK\$88 million.

The Group spent approximately HK\$9 million (2007: HK\$13 million) on the acquisition of property, plant and equipment.

## 9. Trade and Other Receivables and Prepayments

The Group allows an average credit period of 60 days to its customers. The following is an aged analysis of trade receivables at the balance sheet date:

	30 June 2008 <i>HK\$'000</i>	31 December 2007 <i>HK\$'000</i>
Within 30 days	115,124	104,168
31 to 90 days	75,274	78,477
Over 90 days	4,275	1,719
<b>Total</b>	<b>194,673</b>	<b>184,364</b>

## 10. Trade and Other Payables and Accruals

The following is an aged analysis of trade payables at the balance sheet date:

	30 June 2008 <i>HK\$'000</i>	31 December 2007 <i>HK\$'000</i>
Within 30 days	61,578	70,428
31 to 90 days	85,090	61,703
Over 90 days	6,955	6,369
<b>Total</b>	<b>153,623</b>	<b>138,500</b>



**11. Related Party Disclosures**

During the period, the Group had transactions and/or balances with the directors and/or other related parties. The significant transactions during the period and balances with them at the balance sheet date, are as follows:

**(a) Transactions with directors:**

Name of party	Nature of transactions	Six months ended 30 June	
		2008 HK\$'000	2007 HK\$'000
Mr. Huang Ying Yuan	Rental expenses paid by the Group	119	109
Mr. Chen Hsing Shin	Rental expenses paid by the Group	30	109

**(b) Transactions with other related parties:**

Name of party	Interested directors	Nature of transactions	Six months ended 30 June	
			2008 HK\$'000	2007 HK\$'000
Yojin Industrial Corporation	Mr. Huang Ying Yuan Mrs. Huang Chen Li Chu (note i)	Rental expenses paid by the Group	305	287
Mr. Chen Chin Yuan	Mr. Chen Hsing Shin (note ii)	Rental expenses paid by the Group	—	47
Mr. Chen Hung Jung	Mrs. Huang Chen Li Chu (note iii)	Rental expenses paid by the Group	47	43

**Notes:**

- i. Mr. Huang Ying Yuan and Mrs. Huang Chen Li Chu have beneficial interests in Yojin Industrial Corporation.
- ii. Mr. Chen Chin Yuan is a brother of Mr. Chen Hsing Shin, a former director of the Company and deceased during the period.
- iii. Mr. Chen Hung Jung is a brother of Mrs. Huang Chen Li Chu.



**(c) Loan from a minority shareholder of a subsidiary**

At 30 June 2008, the Group had a loan from a minority shareholder of a subsidiary of HK\$780,000 (31 December 2007: HK\$780,000). The loan was made by the minority shareholder of a subsidiary in proportion of its interests in that subsidiary. The loan is unsecured, interest-free and repayable on demand.

**(d) Compensation of key management personnel**

The remuneration of directors of the Company, who are the key management of the Group, during the period are as follows:

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term employee benefits	3,576	3,464
Post-employment benefits	—	50
	<b>3,576</b>	<b>3,514</b>

The remuneration of each director is decided by the board directors of the Company, who are authorised by the shareholders of the Company to do so having regard to the performance of the individuals and market trends.



## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

# 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 interim financial information set out on pages 1 to 17, which comprises the condensed consolidated balance sheet of Lerado Group (Holding) Company Limited as of 30 June 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The 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 (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information 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 interim financial information consists of making enquiries, 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 interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

## **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

16 September 2008



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review and outlook

For the six months ended 30 June 2008, the Group recorded a consolidated revenue of HK\$726.3 million (2007: HK\$600.6 million), representing an increase of 20.9% as compared to the same period last year. Profit attributable to equity holders amounted to HK\$31.9 million (2007: HK\$13.2 million), representing a growth of 1.4 times from the same period last year, while earnings per share increased to HK4.39 cents from HK1.82 cents of the same period last year.

In terms of revenue, the Group recorded an increase of 20.9% as compared to the same period last year, which was attributable to the sales of new models. Among which, the sales of “car seats and boosters” increased by 37.6%, and represented 14.1% of the total revenue of the Group. Revenue from the Group’s “other products” segment also generated a remarkable increase of 76.6%, which was mainly contributed by the encouraging sales performance of medical care products.

During the reporting period, the Group was subject to operating pressure mainly from significant inflation of raw material and energy prices. Through the implementation of strategic storage of raw material, stricter cost control and adjusted product mix, the Group successfully increased the overall gross profit margin to 20.6% from 17.9% of the same period last year. The Group achieved a gross profit of HK\$149.6 million for the period, representing a year-on-year growth of 39.2%.

During the period, marketing and distribution costs were HK\$50.2 million, representing an increase of approximately HK\$6.1 million from the same period last year. The increase was mainly due to increased sales commissions and transportation costs during the period. However, the weight of marketing and distribution costs to revenue decreased by 0.4 percentage points from approximately 7.3% of the same period last year to approximately 6.9%.

In addition, research and development expenses increased to HK\$20.3 million from HK\$14.8 million of the same period last year. The increase was mainly caused by the increased amount of resources allocated to product development by the Group during the reporting period, with an emphasis on the product lines of car seats and boosters and medical care products.



The Group's administrative expenses during the reporting period was HK\$51.5 million, representing an increase of approximately HK\$6.3 million from the same period last year. The main reasons for the increase were the overall increase in the cost of human resources during the period, as well as the amortization costs of the grant of employees' share options in November 2007.

In respect of other revenues, investment income decreased to HK\$2.1 million from HK\$11.0 million of the same period last year. The drop was mainly due to there was a gain on fair value changes of derivative financial instruments amounting to HK\$6.1 million for the same period last year, while the Group did not record a gain on fair value changes in this respect for the reporting period. The Group has always maintained a prudent approach for its foreign currency risk management. The Group entered into foreign currency forward contract of US dollars against Renminbi, mainly with the objective to minimize the risk exposure to significant appreciation of Renminbi that would increase the operating costs of the Group.

## Prospects

The Group's operation is exposed to significant challenges against the backdrop of global inflation and retarded economic growth, coupled with continuous fluctuations in raw material prices, persistent increases in labour, transportation and other operating costs in Mainland China. Facing the unfavourable factors influence in macro-economic environment, the Group is committed on delivering value to customers, improving the product mix and enlarging its market share, with the hope to become one of the few winners in the industry. Equipped with outstanding quality and product specifications, self-developed core technologies and efficient production scale, the Group is better positioned than its counterparts in creating higher values and maintaining satisfactory profit margin under the current environment. The Group will uphold a positive attitude in meeting existing challenges, and is well prepared for the market recovery in the future.

The Group will persist in its existing operating strategies in reinforcing its sales and marketing activities to further increase its market share. On the other hand, the Group will continue to devote its resources in product research and development in an effort to continuously expand its product mix. The Group is committed to fulfill the different needs of its customers and therefore maintain its leadership position within an intensively competitive environment.



Rapid urbanization in the PRC has forcefully accelerated the local economic growth in the past few years, which in turn has created enormous demand in the investment and consumer markets. The Group will continue its expansion through sales carried out under the brand “Angel” which is developed specifically for the PRC market. Moreover, the Group will continuously explore suitable opportunities for business development and investments, in order to increase its market share in the PRC infant product market.

### **Material capital investments**

During the reporting period, the Group increased its shareholdings in a subsidiary from 76.6% to 96.6% for a consideration of approximately HK\$7.7 million. The subsidiary engages in the production of stroller wheels, which are mainly sold to the Group.

As the consumer market for infant products in china is growing, the Group has established a joint venture and two wholly-owned subsidiaries in the PRC during the reporting period. The group owns 70% equity interest of the joint venture for a total consideration of HK\$7.8 million. The amounts of share capital of the two wholly-owned subsidiaries are HK\$10.7 million and HK\$1.6 million respectively. All companies are located in cities in Southern China and engage in sales of infant products. The Group will establish pilot points of sales network through these three companies and develop the retail business of infant products with practical and active operating strategies.

### **Liquidity and financial resources**

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As at 30 June 2008, the Group had total cash and bank balances of HK\$156.8 million (31 December 2007: 159.3 million), mainly in Renminbi and US dollars, and was free of bank borrowings. Accordingly, the Group’ gearing ratio, expressed as total bank borrowing to shareholders fund, is zero (31 December 2007: zero).

As at 30 June 2008, the Group had net current assets of HK\$444.2 million and its current ratio increased from 2.7 to 2.9 compared with the same period last year. For the six months ended 30 June 2008, the Group’s trade receivable turnover maintained at 47 days and its trade payable turnover were shortened from 47 days to 46 days compared with the same period last year, while its inventory turnover increased from 47 days to 61 days.



The directors believe that the Group has sufficient resources and working capital to meet its foreseeable capital expenditure.

As at 30 June 2008, no asset of the Group was under charge.

### **Exchange risk exposure and contingent liabilities**

The Group maintains a level of cash sufficient to finance its daily operation and future growth and development.

Under the macro-environment of Renminbi appreciation, the Group will continue to closely monitor the changes in the exchange rates and will adopt the measures to minimize the exchange risk exposures.

As at 30 June 2008, the Group had no significant contingent liabilities.

### **Employees and remuneration policies**

As at 30 June 2008, the Group employed a total workforce of around 5,600 staff members, of which above 5,400 worked in the PRC offices and production sites, around 100 in Taiwan for marketing, sales support and research and development, 29 in the US office for marketing, sales support and research and development and 10 in Hong Kong for finance and administration.

## **INTERIM DIVIDEND**

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The Board has declared an interim dividend of HK1.5 cents per share in cash for the six months ended 30 June 2008 to shareholders whose names appear on the Register of Members of the Company on 15 October 2008. It is expected that the dividend warrants will be sent to the Shareholders no later than 29 October 2008.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 13 to 15 October 2008, 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 10 October 2008.





## 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 SECURITIES

At 30 June 2008, 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") contained in the Listing Rules, were as follows:

### Long positions in shares and underlying shares of the Company

Name of director	Number of shares held as			Total	Approximate % of the issued share capital	Share options
	Beneficial owner	Spouse interests	Corporate interests			
Mr. Huang Ying Yuan	104,153,360	43,336,180 (Note 1)	–	147,489,540	20.3	7,000,000 (Note 2)
Mr. Chen Chun Chieh	318,000	–	96,805,800 (Notes 3)	97,123,800	13.4	700,000
Mrs. Huang Chen Li Chu	43,336,180	104,153,360 (Note 1)	–	147,489,540	20.3	7,000,000 (Note 4)
Mr. Yang Yu Fu	–	–	–	–	–	7,000,000

#### 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. It represents 4,000,000 share options beneficially owned by Mr. Huang Ying Yuan and 3,000,000 share options held by the spouse of him.
3. The corporate interest represents the shares held by Hwa Foo Investment Limited which is controlled by Mr. Chen Chun Chieh.
4. It represents 3,000,000 options beneficially owned by Mrs. Huang Chen Li Chu and 4,000,000 share options held by the spouse of her.



Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations, which were recorded in the register as required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTIONS

The following table discloses movements in the Company's share options during the six months ended 30 June 2008:

Date of grant	Number of shares subject to share options				Outstanding at 30 June 2008	
	Outstanding at 1 January 2008	Exercised during the period	Converted during the period	Lapsed during at the period		
<b>Category 1: Directors</b>						
Mr. Huang Ying Yuan	18 August 1999	4,000,000	—	—	4,000,000	
Mr. Chen Hsing Shin	18 August 1999	3,500,000	—	—	(3,500,000)	
	(Note 1)					
Mrs. Huang Chen Li Chu	18 August 1999	3,000,000	—	—	3,000,000	
Mr. Yang Yu Fu	26 November 2007	7,000,000	—	—	7,000,000	
Mr. Chen Chun Chieh	26 November 2007	—	—	700,000	—	
	(Note 2)					
Total for directors		17,500,000	—	700,000	(3,500,000)	14,700,000
<b>Category 2: Employees</b>						
	14 February 2006	3,734,000	(2,104,000)	—	(98,000)	1,532,000
	26 November 2007	21,000,000	—	(700,000)	(1,804,000)	18,496,000
		24,734,000	(2,104,000)	(700,000)	(1,902,000)	20,028,000
Total for all categories		42,234,000	(2,104,000)	—	(5,402,000)	34,728,000



Details of specific categories of options are as follows:

<b>Date of grant</b>	<b>Vesting period</b>	<b>Exercise period</b>	<b>Exercise price HK\$</b>
18 August 1999	4.5 months	1 January 2000 – 17 August 2009	1.26
14 February 2006 (Batch I)	11 months	17 January 2007 – 16 January 2011	0.54
14 February 2006 (Batch II)	23 months	17 January 2008 – 16 January 2011	0.54
26 November 2007 (Batch I)	12 months	8 November 2008 – 7 November 2012	0.64
26 November 2007 (Batch II)	24 months	8 November 2009 – 7 November 2012	0.64

*Notes:*

1. Mr. Chen Hsing Shin deceased at 14 February 2008.
2. Mr. Chen Chun Chieh was appointed on 3 April 2008.

## **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 2008, 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
Allianz Aktiengesellschaft	Corporate interest (Note 1)	66,032,000	9.1%
Dresdner VPV NV	Corporate interest (Note 1)	66,032,000	9.1%
Veer Palthe Voute NV	Investment manager (Note 1)	66,032,000	9.1%
Franklin Templeton Investments Corp.	Investment manager	61,138,032	8.4%
Mr. David Michael Webb	(Note 2)	36,742,000	5.1%
Mr. Chen An-Hsin	Corporate interest (Note 3)	36,689,675	5.0%
Gold Field Business Ltd.	Beneficial owner (Note 3)	36,689,675	5.0%

### Notes:

1. Veer Palthe Voute NV is 100% indirectly owned by Dresdner VPV NV, which is in turn 81.1% indirectly owned by Allianz Aktiengesellschaft.
2. Mr. David Michael Webb beneficially owns 5,110,000 shares, and in addition, he holds 31,632,000 shares through Preferable Situation Assets Limited, which is 100% directly owned by him.
3. Mr. Chen An Hsin owns the entire interest of Gold Field Business Ltd.

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 2008.

## CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2008, the Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.



## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2008.

## REVIEW OF INTERIM FINANCIAL STATEMENTS

The Audit Committee has reviewed with management and the external auditors, Deloitte Touche Tohmatsu, the unaudited interim financial statements, the accounting principles and practices adopted by the Group.

By order of the Board  
**Huang Ying Yuan**  
*Chairman*

16 September 2008