

INTERIM RESULTS

The Board of Directors (“the Board”) of Lerado Group (Holding) Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2000 together with the comparative figures for the corresponding period in 1999, as follows:

	Notes	Six months ended 30th June, 2000 HK\$'000	1999 HK\$'000
Turnover		641,740	618,459
Cost of sales		(456,035)	(438,133)
Gross profit		185,705	180,326
Other revenue		6,462	4,826
Marketing and distribution costs		(45,355)	(38,498)
Research and development costs		(17,758)	(12,950)
Administrative expenses		(43,842)	(42,749)
Profit from operations		85,212	90,955
Finance costs		(983)	(322)
Investment income		5,383	5,461
Profit from ordinary activities before taxation		89,612	96,094
Income tax expense	1	(4,357)	(6,090)
Profit before minority interests		85,255	90,004
Minority interests		897	—
Profit attributable to shareholders		86,152	90,004
Dividends	2	21,807	21,703
Earnings per share	3		
— Basic		11.86 cents	12.50 cents
— Diluted		11.83 cents	12.47 cents

Notes:

1. Income tax expense

	2000 HK\$'000	1999 HK\$'000
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The charge comprises:		
Hong Kong Profits Tax		
Current period	1,210	1,566
Overprovision in prior years	—	(56)
	<hr/>	<hr/>
	1,210	1,510
Overseas taxation	<hr/>	<hr/>
	3,147	4,580
	<hr/>	<hr/>
	4,357	6,090

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the period.

Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

2. Dividends

	2000 HK\$'000	1999 HK\$'000
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Interim dividend at HK3 cents (1999: HK3 cents) per ordinary share	<hr/>	<hr/>
	21,807	21,703

3. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2000	1999
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Profit attributable to shareholders	<hr/>	<hr/>
	HK\$86,152,000	HK\$90,004,000
Weighted average number of ordinary shares for the purpose of basic earnings per share	<hr/>	<hr/>
	726,515,157	720,000,000
Effect of dilutive potential ordinary shares in respect of share options	<hr/>	<hr/>
	1,803,990	1,718,101
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<hr/>	<hr/>
	728,319,147	721,718,101

REVIEW OF OPERATIONS

The unaudited consolidated turnover for the six months ended 30th June, 2000 was approximately HK\$641.7 million, representing a growth of 3.8% compared with the corresponding period last year. Profit attributable to shareholders amounted to HK\$86.2 million, a slight decline of 4.3% over the same period last year. The Board declared an interim dividend of HK3 cents per share for the six months ended 30th June, 2000.

Year 2000 is a year of development for the Group. Apart from the core products such as strollers, beds and soft goods, we have taken steps to expand our product range. Our Shanghai factory resumed operation for the production of children plastic products and baby feeding bottles, while a new line for the manufacture of infant garments was established in the first half of the year. As these products are at their trial launch stage, substantial pre-operating costs such as additional marketing, research and development costs are incurred. These increased expenses resulted in a slight decline of the net profit for the period under review, as well as a drop of net profit margin from 14.6% to 13.4%.

During the period under review, the United States (the "US") and Europe remained our largest markets. Sales to the US and European markets amounted to HK\$450.4 million and HK\$118.9 million respectively, representing 70.2% and 18.5% of the Group's total turnover.

As in the past, we continued to manufacture strollers for major US brands of baby products, most of which have been our long-term customers and have established good relations with us over the years. However, a stroller brandname which adopts a low pricing strategy emerged on the US market and has taken up certain market share from its competitors this year. As a result of keen market competition, we have seen a slight decrease of 2.2% in our total sales to the US market.

On the other hand, we have experienced strong growth in the European market. As European stroller brands continue to outsource to manufacturers capable of producing high quality safety products at competitive prices, we have seized the opportunity to expand our market share. Sales to Europe increased significantly by 13.3%.

The China market has also emerged with significant progress. In addition to the traditional way of selling our "Angel" brand through department stores, we have attempted to sell through a new television sales channel, which has so far been well received. We are confident this will prove to be a potentially fruitful revenue channel and efforts will be made to explore further possibilities, tapping deeper into the market.

In terms of products, strollers and beds remained the largest revenue contributors, comprising 64.7% and 16.4% of the Group's turnover. Having gained confidence from our long established US customers, several of them placed their first-time orders of beds with us this year, resulting in a strong growth in the sales of beds by 76.3%. This growth compensated the drop in sales of strollers due to keen competition in the US.

Soft goods and other accessories have also recorded satisfactory growth; revenues increased by 9.8% and 10.8% respectively. As battery operated ride-on cars are still in its initial stage of launch, no significant increase in sales was recorded in the first half of the year.

We have also embarked on new product development activities. Following our strategic alliance with Step2 Company ("Step2"), a leading US brand of quality plastic products for children, Step2 has transferred its technical expertise and production mouldings to us. Our Shanghai plant has resumed operation with the necessary equipment shipped and installed in the period under review, ready for the production of Step2 products. Such alliance has expanded our product range catering to children of the age of three to six.

FUTURE PROSPECT

With fewer children in families and higher disposable income than a decade ago in the US, price is not the only concern of most parents. We are confident that our long-term commitment in providing high quality and safety products will enable us to maintain our leading market position.

We see tremendous growth opportunities in the European markets due to the increasing outsourcing trend. In China, coupled with our established Angel brand, we will strengthen our sales through TV selling to expand our market presence. Moreover, we are further working on the development of new products such as ride-on cars, Step2 products, feeding bottles and infant garments, which are expected to generate positive contribution to the Group's results in the coming year.

Based on our solid track record in infant products, we will further identify suitable business development and investment opportunities, particularly in generating synergy with our business in Europe and China, to further expand the Group's profits.

FINANCIAL POSITION

Although the profit attributable to shareholders for the six months ended 30th June, 2000 dropped slightly, the Group maintained a sound and solid financial position. As at 30th June, 2000, the Group's net assets value amounted to HK\$543.8 million, including bank and cash balances of HK\$174.2 million. The Group maintained a current ratio of 2.28 times.

During the period under review, the Group has, out of the net proceeds from the initial public offerings in December 1998, utilised a further of HK\$8 million to finance the purchase of additional equipment and the refurbishment of the Group's existing facilities for the production of battery operated ride-on cars and HK\$5 million for the marketing of products in China.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK3 cents per share in cash for the six months ended 30th June, 2000 to shareholders whose names appear on the Register of Members of the Company on 5th October, 2000. It is expected that the dividend warrants will be sent to the Shareholders no later than 17th October, 2000.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 29th September to 5th October, 2000, 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 Registrar, Secretaries Limited, 5th Floor, Wing on Centre, 111 Connaught Road Central, Hong Kong, not later than 4:00 p.m. on 28th September, 2000.

DIRECTORS' INTERESTS IN SHARES

At 30th June, 2000, the interests of the Directors and their associates in the share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

	Number of ordinary shares held as	
	Personal interest	Family interest <i>(Note)</i>
Mr. Huang Ying Yuan	101,187,360	42,102,180
Mr. Tsang Yat Kiang	58,815,720	—
Mr. Chen Hsing Shin	94,105,800	—
Madam Huang Chen Li Chu	42,102,180	101,187,360
Mr. Chen Jo Wan	11,763,225	—

Note: The family interest represents the shares held by the spouse of Mr. Huang Ying Yuan and Madam Huang Chen Li Chu, respectively. Madam Huang Chen Li Chu is the wife of Mr. Huang Ying Yuan.

Save as disclosed above and other than certain nominee shares in the subsidiaries held by certain directors in trust for the Company, none of the directors or their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance at 30th June, 2000.

SUBSTANTIAL SHAREHOLDERS

At 30th June, 2000 the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of certain directors, the following shareholder had an interest of 10% or more in the share capital of the Company:

Name of shareholder	No. of shares	Percentage
Investor AB	81,527,040	11.22%

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30th June, 2000.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June, 2000, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the period.

By Order of the Board
Huang Ying Yuan
Chairman

Hong Kong, 8th September, 2000