



LERADO GROUP (HOLDING) COMPANY LIMITED

(隆成集團(控股)有限公司)*

(Incorporated in Bermuda with limited liability)

Interim Results Announcement for the Six Months Ended 30th June, 2001

website: <http://www.irasia.com/listco/hk/lerado>

FINANCIAL RESULTS

The Board of Directors of Lerado Group (Holding) Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June, 2001 together with the comparative figures.

	Notes	Six months ended	
		30th June, 2001 HK\$'000 (unaudited)	30th June, 2000 HK\$'000 (unaudited) (As restated)
Turnover	1	574,913	641,740
Cost of sales		(412,806)	(456,035)
Gross profit		162,107	185,705
Investment income		3,043	5,383
Other revenue		9,875	6,462
Marketing and distribution costs		(49,291)	(45,355)
Research and development expenses		(10,283)	(13,549)
Administrative expenses		(46,865)	(45,031)
Other operating expenses		(5,968)	(3,020)
Profit from operations	2	62,618	90,595
Finance costs		(348)	(983)
Share of results of an associate		(1)	—
Profit from ordinary activities before taxation		62,269	89,612
Taxation	3	3,388	4,357
Profit before minority interests		58,881	85,255
Minority interests		493	897
Profit attributable to shareholders		59,374	86,152
Dividends	4	57,977	43,605
Earnings per share	5		
— Basic		8.19 cents	11.86 cents
— Diluted		8.19 cents	11.83 cents

Notes:

1. SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit from operations by business and geographical segment is as follows:

Business segments

	Six months ended 30th June, 2001		Six months ended 30th June, 2000	
	External sales and total revenue HK\$'000	SEGMENT RESULTS HK\$'000	External sales and total revenue HK\$'000	SEGMENT RESULTS HK\$'000
Strollers	337,941	34,410	415,458	55,394
Beds	96,980	10,405	105,526	14,457
Soft goods	44,353	4,624	60,917	7,956
Others	95,639	10,136	59,839	7,405
Consolidated	574,913	59,575	641,740	85,212
Investment income		3,043		5,383
Profit from operations		62,618		90,595

Geographical segments

	Six months ended 30th June, 2001			Six months ended 30th June, 2000		
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000
United States	332,356	888	333,244	450,448	470	450,918
Europe	141,996	—	141,996	127,616	—	127,616
Australia	16,727	—	16,727	16,283	—	16,283
South America	20,253	—	20,253	14,746	—	14,746
Others	63,581	—	63,581	32,647	—	32,647
Eliminations	—	(888)	(888)	—	(470)	(470)
Consolidated	574,913	—	574,913	641,740	—	641,740
Investment income			3,043			5,383
Profit from operations			62,618			90,595

2. PROFIT FROM OPERATIONS

	Six months ended 30th June, 2001 HK\$'000	30th June, 2000 HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of intellectual property rights	2,990	2,990
Depreciation and amortisation of property, plant and equipment	11,609	7,933
Write off of intellectual property rights	2,860	—

3. TAXATION

	Six months ended 30th June, 2001 HK\$'000	30th June, 2000 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	2,000	1,210
Overseas taxation	1,388	3,147
	3,388	4,357

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.

4. DIVIDENDS

	Six months ended 30th June, 2001 HK\$'000	30th June, 2000 HK\$'000
2000 final dividend of HK8 cents (1999 final dividend: HK6 cents, with a scrip dividend option) per share	57,977	43,605

The directors have determined that an interim dividend of HK2 cents (six months ended 30th June, 2000: HK3 cents) per share would be paid to the shareholders of the Company whose names appear in the Register of Members on 18th October, 2001.

5. EARNINGS PER SHARE

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

	Six months ended 30th June, 2001 HK\$'000	30th June, 2000 HK\$'000
Profit attributable to shareholders	59,374	86,152
Weighted average number of ordinary shares for the purpose of basic earnings per share	725,065,244	726,515,157
Effect of dilutive potential ordinary shares in respect of share options	108,931	1,803,990
Weighted average number of ordinary shares for the purpose of diluted earnings per share	725,174,175	728,319,147

6. TRANSFER TO/FROM RESERVES

	Six months ended 30th June, 2001 HK\$'000
Exchange differences arising from translation of financial statements of operations outside Hong Kong	(2,345)

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and prospect

Influenced by the sluggish economic climate worldwide and slowdown of the US economy, the Group expects a lull in household consumption. The Group's unaudited consolidated turnover and profit attributable to shareholders for the six months ended 30th June, 2001 were approximately HK\$574.9 million and HK\$59.4 million respectively, compared with HK\$641.7 million and HK\$86.2 million last year.

The Board declared an interim dividend of HK2 cents per share for the six months ended 30th June, 2001.

For the period under review, the global economy underwent a moderate slowdown, whilst consumers in the US duly made curbs in their spending habits for high priced goods. Amidst this uncertain climate, clients adopted a more prudent inventory approach as well as new product launches. This was reflected in the Group's sales to the US of HK\$332.4 million, which represented 57.8% of the Group's total turnover and a decline of 26.2% over the same period last year. However, we believe that such psychological impact will be alleviated once the economy stabilizes.

Though the weighting of the Group's second largest market — Europe was largely behind the US market, an 11.3% growth in our sales to Europe was recorded, reaching approximately HK\$142.0 million, representing 24.7% of the Group's total turnover. The Group has seized the opportunities in meeting European brands' needs of outsourcing their products to capable manufacturers in producing high quality and cost effective products.

In terms of products, strollers and baby beds remain the Group's key revenue drivers, contributing 58.8% and 16.9% to total turnover as compared with 64.7% and 16.4% in the previous year. Due to current market sentiment, the Group had focused on middle to low-end products which also explained for the decrease in total turnover and operating profit. Sale of other accessories and product series, such as highchairs and walkers, recorded satisfactory growth of 59.8% over the corresponding period of last year and contributed 16.6% to the Group's total turnover. It has been the Group's strategy to develop a diversified product portfolio to strengthen its position and this strategy will be upheld in the future.

Looking forward, market conditions remain too fluid to predict. Nevertheless, management will maintain a resolve to implement the Group's business strategies and to weather through the difficult environment. Continuous outsourcing trend in Europe provides strong momentum for the Group's future growth whilst we will continue to explore the market and seize greater market share.

With the Group's solid experience and knowledge in the People's Republic of China (the "PRC") market, we are in an advantageous position to capitalize on business potentials in the populous market and opportunities arising from China's accession to the World Trade Organization.

Liquidity and financial resources

As at 30th June, 2001, the Group retained total cash and bank balances of HK\$107.6 million, most of which were in Renminbi, Hong Kong and US dollars — the exposure to exchange fluctuation has been minimal. On the same date, the Group had bank borrowings of HK\$37.8 million, including trade lines and short term loans, over 75% of which were in Hong Kong and US dollars. Interest rates on these bank borrowings were at prevailing bank lending rates.

As at the financial period end date, the current ratio and the gearing ratio (expressed as total bank borrowings to shareholders' fund) of the Group were 1.63 and 0.06 respectively, while the ratios at 31st December, 2000 were 1.73 and 0.01 respectively.

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

Employees and remuneration policies

As at 30th June, 2001, the Group employed over 6300 staff members, including approximately 6000 workers in its production sites in the PRC and 120 staff in the research and development department.

Apart from basic salaries, discretionary bonus and contribution to the mandatory provident fund for staff in Hong Kong, share options may also be granted to staff with reference to the individual's performance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June, 2001, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited (the "SEHK") as follows:

Month of repurchase	Number of shares	Price per share		Aggregate Consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
January 2001	1,550,000	0.94	0.91	1,428
February 2001	650,000	0.97	0.84	589
	<u>2,200,000</u>			<u>2,017</u>

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

Save as disclosed above, neither the company nor any of its subsidiaries has redeemed, purchased or sold any of the Company's shares during the period.

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, 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the SEHK.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2 cents per share in cash for the six months ended 30th June, 2001 to shareholders whose names appear on the Register of Members of the Company on 18th October, 2001. It is expected that the dividend warrants will be sent to the Shareholders no later than 30th October, 2001.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 15th October, 2001 to 18th October, 2001, 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 12th October, 2001.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Audit Committee has reviewed with management and the external auditors, Deloitte Touche Tohmatsu, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

All the information of the Company required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange at <http://www.hkex.com.hk> in due course.

By Order of the Board
Huang Ying Yuan
Chairman

Hong Kong, 7th September, 2001

* for identification only