



## Lerado Group (Holding) Company Limited

(Incorporated in Bermuda with limited liability)

### Interim Results Announcement for the Six Months Ended 30th June, 2000

#### 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
The charge comprises:		
Hong Kong Profits Tax		
Current period	1,210	1,566
Overprovision in prior years	-	(56)
	-----	-----
	1,210	1,510
Overseas taxation	3,147	4,580
	-----	-----
	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
Interim dividend at HK3 cents (1999: HK3 cents) per ordinary share	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
Profit attributable to shareholders	HK\$86,152,000	HK\$90,004,000
	=====	=====
Weighted average number of ordinary shares for the purpose of basic earnings per share	726,515,157	720,000,000
Effect of dilutive potential ordinary shares in respect of share options	1,803,990	1,718,101
	-----	-----
Weighted average number of ordinary shares for the purpose of diluted earnings per share	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 sales to the U.S 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 profit 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.

## **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 5th October, 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

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Source: Lerado Group (Holding) Company Limited

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