



LERADO GROUP (HOLDING) COMPANY LIMITED

(隆成集團(控股)有限公司)*

(Incorporated in Bermuda with limited liability)

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2003

FINANCIAL RESULTS

The Board of Directors (the “Board”) of Lerado Group (Holding) Company Limited (the “Company”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st December, 2003, together with the comparative figures for the year ended 31st December, 2002.

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i> (Restated)
Turnover	2	1,149,893	1,024,302
Cost of sales		(835,109)	(702,739)
Gross profit		314,784	321,563
Investment income		356	1,500
Other operating income		17,996	10,492
Marketing and distribution costs		(88,689)	(93,116)
Research and development expenses		(14,794)	(17,743)
Administrative expenses		(113,660)	(106,811)
Other operating expenses		(18,855)	(12,560)
Profit from operations	3	97,138	103,325
Finance costs		(121)	(52)
Profit from ordinary activities before taxation		97,017	103,273
Taxation	4	(16,421)	(10,970)
Profit before minority interests		80,596	92,303
Minority interests		574	54
Net profit for the year		81,170	92,357
Dividends	5	57,369	57,796
Earnings per share	6		
Basic		11.28	12.78 cents
Diluted		11.26	12.78 cents

Notes:

1. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group adopted, for the first time, the following Hong Kong Financial Reporting Standards (“HKFRS(s)”) issued by the Hong Kong Society of Accountants (“HKSA”), the term of HKFRS is inclusive of Statements of Standard Accounting Practice (“SSAP(s)”) and Interpretations approved by the HKSA.

Income Taxes

In the current year, the Group adopted SSAP 12 (Revised) Income Taxes. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions.

In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. The change has resulted in an increase in the net profit for the year ended 31st December, 2003 of 973,000 and a decrease in the net profit for the year ended 31st December, 2002 of HK\$773,000.

2. TURNOVER

An analysis of the Group’s turnover and contribution to profit from operations by business segments is as follows:

	Sales revenue		Contribution to profit from operations	
	2003	2002	2003	2002
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Strollers	647,368	619,556	75,997	76,796
Beds & playards	132,639	145,879	11,633	16,150
Miscellaneous infant products [#]	236,916	194,585	18,042	15,412
Others	132,970	64,282	9,965	6,027
	<u>1,149,893</u>	<u>1,024,302</u>	<u>115,637</u>	<u>114,385</u>
Investment income			356	1,500
Other operating expenses			(18,855)	(12,560)
Profit from operations			<u>97,138</u>	<u>103,325</u>

[#] *Miscellaneous infant products include soft goods, high chairs, bouncers and walkers, etc.*

An analysis of the Group’s turnover by geographical market is as follows:

	2003	2002
	HK\$’000	HK\$’000
United States of America (the “US”)	603,398	578,712
Europe	286,748	243,231
Australia	53,430	42,489
South America	54,319	25,900
Others	151,998	133,970
	<u>1,149,893</u>	<u>1,024,302</u>

3. PROFIT FROM OPERATIONS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Amortisation of intellectual property rights	5,308	5,310
Deficit arising on revaluation of land and buildings	2,213	6,750
Deficit arising on revaluation of investment properties	3,000	500
Depreciation and amortisation of property, plant and equipment	30,574	28,422
Loss on disposal of property, plant and equipment	1,747	1,179
Unrealized holding loss on other investments	8,334	—
	<u>8,334</u>	<u>—</u>

4. TAXATION

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Profit tax:		
Hong Kong	4,296	3,656
Others	9,502	5,354
	<u>13,798</u>	<u>9,010</u>
Deferred tax	2,623	1,960
	<u>16,421</u>	<u>10,970</u>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year. The Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31st December, 2003.

The tax rate of a subsidiary established in the People's Republic of China (the "PRC") was increased from 12% to 27% with effect from the year ended 31st December, 2003. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31st December, 2003.

Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

A portion of the Group's profit neither arises in, nor is derived from Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax.

5. DIVIDENDS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
2002 final dividend of HK6 cents (2001 final dividend: HK6 cents) per share	43,042	43,347
2003 interim dividend of HK2 cents (2002 interim dividend: HK2 cents) per share	14,327	14,449
	<u>57,369</u>	<u>57,796</u>

The 2003 final dividend of HK5 cents per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

6. EARNINGS PER SHARE

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

	2003	2002
Net profit for the year and earnings for the purposes of the basic and diluted earnings per share	<u>HK\$81,170,000</u>	<u>HK\$92,357,000</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	719,669,442	722,451,541
Effect of dilutive potential ordinary shares in respect of share options	<u>952,982</u>	<u>6,457</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>720,622,424</u>	<u>722,457,998</u>

7. TRANSFER TO/FROM RESERVES

	2003 <i>HK\$'000</i>
Revaluation deficit on land and buildings	(414)
Deferred tax liability arising on revaluation of properties	(30)
Exchange differences arising from translation of the financial statements of PRC/overseas operations	<u>(1,186)</u>

DIVIDEND

The Board recommends a final dividend of HK5 cents per share. Together with an interim dividend of HK2 cents per share, the total dividend of the year under review will amount to HK7 cents. The final dividend will be payable to the shareholders whose names appear in the register of members of the Company on 19th May, 2004. Dividend warrants are expected to be sent out on or before 3rd June, 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 17th to 19th May, 2004 both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Secretaries Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on 14th May, 2004.

BUSINESS REVIEW

The year under review recorded a general global rebound. In view of an improving economic condition and in anticipation of positive prospect, consumer confidence was recovering over 2002 as shown in the pattern and amount spent that provided a better operating environment for businesses.

On the other hand, the war in Iraq and its ensuing effects had, to some extent, posted uncertainties on the road of recovery. Cost of raw materials, plastic and metal tube, rose as prodded by the increasing oil and steel prices worldwide in the last year. The decreased travel household also affected the sales of foldable playards which are suitable and desirable for traveling with babies and kids. Nevertheless, despite this challenging climate, Lerado was able to leverage its global vision and market mix to achieve higher turnover.

Total turnover for the Group rose 12.3% during the year under review to HK\$1,149.9 million. Net profit for the year was HK\$81.2 million, representing a decrease of 12.1% over the previous year due to the high rise of raw material costs and the provision of certain non-recurrent items. Earnings per share for the year ended 31st December, 2003 was HK11.28 cents.

We are glad to see that the Group is back onto the track of turnover growth in 2003. Worth highlighting is the Group's robust growth in Europe where turnover increased by 17.9% to HK\$286.8 million. Such achievement was mainly attributed to the strong Euro which encouraged the trend to outsource their production, as anticipated, to reduce costs and stay competitive. We were able to capitalise on our strengths and captured the opportunities while further strengthened our market position.

In the US, market began to pick up again after the Iraqi war subsided. The Group maintained its business focus on middle-end products to effectively meet the overall market demand. Though the economy showed some positive signs, consumers remained cautious in their spending and opted for less expensive basic items. The Group will continue to review and adjust its business strategy when appropriate to best cater the market demand and development.

A key development for the Group's future growth was the extension of service and the commencement of production for infant car seat for an existing U.S. customer. We went through a series of stringent quality and safety testing, test run and trial order in the fourth quarter last year. The first shipment was made in December 2003 and we expect to see increasing order size in 2004.

Customized production lines

In 2003, the Group allocated part of its extended plant for its major clients for customized product purpose in response to the market trend for higher confidentiality. Such production facility planning will be continued in order to provide more attentive services and to foster closer relationship with its long-term clients. In addition, the reorganised floor plan also benefits the Group from further enhanced operation efficiency and raises productivity.

Workforce

As at 31st December, 2003, the Group had a dedicated workforce of over 7,200 staff members, of which 7,000 worked in the PRC production sites. Employees' remuneration is consistent with the industry practice. Apart from basic salaries, discretionary bonus and contribution to retirement funds were provided for staff in Hong Kong, Taiwan and the PRC. Share options may also be granted to staff with reference to the individual's performance.

Liquidity & financial resources

The Group had a total cash and bank balance of HK\$95.1 million as at 31st December, 2003, with the majority of which in Hong Kong and US currencies. After deducting total borrowings of HK\$15.3 million, the Group recorded a net cash balance of HK\$79.8 million as compared to HK\$124.8 million as at 31st December, 2002. The borrowings, bearing interest at prevailing market rates, are short term bank loans due within one year. At 31st December, 2003, The Group's gearing ratio, expressing as total bank borrowings to shareholders' fund, is 0.02 (2002: 0.001). The Board is in the opinion that the Group is in a strong and healthy financial position and has sufficient resources to support its operations and meet its foreseeable capital expenditure.

As at 31st December, 2003, the Group had net current assets of HK\$225.5 million (2002: HK\$221.6 million) and a current ratio of 1.8 (2002: 2.0). Trade receivable turnover was 58.9 days (2002: 63.5 days).

Charges on group assets

As at 31st December, 2003, other receivables of HK\$34.8 million were pledged to a bank to secure bank borrowings of HK\$15.3 million.

Exchange risk exposure and contingent liabilities

The Group's sales are principally denominated in US dollars while purchases are transacted mainly in HK dollars, Renminbi and New Taiwanese dollars. The Group does not foresee significant risk in exchange rate fluctuation and no financial instruments have been used for hedging purposes.

As at 31st December, 2003, The Group has no significant contingent liabilities.

OUTLOOK

The Group is cautiously optimistic for 2004, in view of a gradually recovering global economy and positive business development thus far in the first quarter this year. Although raw material costs remain high and volatile, the Group expects to maintain its gross margins through actively exploring the growth potential of new products and sharing the cost increments with other participants along the supply chain.

The growth potential for infant car seats is viewed as substantial in 2004 and also for the next few years. In most developed countries, the use of infant car seat has been made statutory under the child passenger law which presents a large and educated market for the Group's future expansion. Meanwhile, Asian countries, like Singapore and Taiwan, followed suit to enhance and safeguard child safety. We believe that other Asian countries would adopt similar practice in the future and thus benefiting some of the large and quality manufacturers like Lerado. As one of the first infant car seat manufacturer in the PRC, the Group possesses the top-notch production expertise and industry know-how which enable us to exploit the pioneer advantage to grasp market share.

Expansion into this new product segment lays a solid foundation for sustained growth. Apart from the existing model designed for infants up to one year old, the Group plans to explore opportunities in developing various models of car seat suitable for infants and babies in different ages and weights.

Shareholders can expect to see the Group offering an increasingly diversified and balanced product portfolio. The Group will also remain open to vertical and horizontal expansion and is well positioned to grasp opportunities arising from the recovering economy.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited (the "SEHK") as follows:

Month of Repurchase	Number of ordinary shares of HK\$0.10 each	Price per share		Aggregate consideration before expenses HK\$'000
		Highest HK\$	Lowest HK\$	
April 2003	2,750,000	1.18	1.13	3,178
May 2003	3,360,000	1.29	1.18	4,167
	<u>6,110,000</u>			<u>7,345</u>

PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY

The SEHK has published amendments to The Rules Governing the Listing of Securities on the SEHK (the “Listing Rules”) on 30 January 2004. Subject to specific transitional arrangements in respect of some of the new provisions, the revised Listing Rules became effective on 31 March 2004. The revised Listing Rules have imposed certain new requirements which have to be reflected in the articles of association/ bye-laws of all issuers.

To align the bye-laws of the Company with the revised Listing Rules, the Board proposes that certain provisions in the bye-laws of the Company be amended to comply with the revised Listing Rules, details of which will be set out in a circular to be dispatched to shareholders in due course.

PUBLICATION OF RESULTS ON THE SEHK WEBSITE

The Company’s annual report containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the SEHK in due course.

APPRECIATION

I would like to express my sincere gratitude to Mr. Tsang Yat Kiang and Mr. Chen Jo Wan for their past contributions to the Group. I would also like to take this opportunity to thank our shareholders, business partners and employees for their efforts and supports. I look forward to sharing another good year with you.

By Order of the Board
Huang Ying Yuan
Chairman

Hong Kong, 15th April, 2004

* *for identification purposes only*