



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, 2001

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, 2001, together with the comparative figures for the year ended 31st December, 2000 as follows:

		2001	2000
	Notes	HK\$'000	HK\$'000
			(as restated)
Turnover	2	1,117,930	1,180,286
Cost of sales		(789,608)	(852,041)
Gross profit		328,322	328,245
Investment income		3,819	10,259
Other revenue		19,481	21,439
Marketing and distribution costs		(88,220)	(88,053)
Research and development ("R&D") expenses		(18,301)	(23,499)
Administrative expenses		(103,821)	(108,778)
Other operating expenses		(23,077)	(5,981)
Profit from operations	3	118,203	133,632
Finance costs		(1,055)	(1,689)
Impairment on goodwill arising on acquisition of a jointly controlled entity		(3,181)	—
Share of results of a jointly controlled entity		(883)	—
Profit from ordinary activities before taxation		113,084	131,943
Taxation	4	4,527	5,502
Profit before minority interests		108,557	126,441
Minority interests		2,612	(1,922)
Net profit for the year		105,945	128,363
Dividends	5	72,471	65,412
EARNINGS PER SHARE	6		
Basic		14.62 cents	17.66 cents
Diluted		14.62 cents	17.65 cents

Notes:

1. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/ CHANGES IN ACCOUNTING POLICIES

In the current year, the Group adopted a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants, for the first time. Adoption of these standards has led to a number of changes in the Group's accounting policies. The new and revised standards have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of the new and revised standards has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods:

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) *Events after the Balance Sheet Date*, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment which has increased the accumulated profits of the Group as at 1st January, 2000 by HK\$43,605,000 and as at 1st January, 2001 by HK\$57,977,000.

Goodwill

In the current year, the Group has adopted SSAP 30 *Business Combinations* and has elected not to restate goodwill previously eliminated against reserves. Accordingly, goodwill arising on acquisitions prior to 1st January, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised on a straight line basis over its estimated useful life. Negative goodwill arising on acquisitions after 1st January, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

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	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Strollers	661,536	720,989	81,538	74,526
Beds & playards	159,184	200,746	20,715	17,478
Soft goods	100,169	111,195	14,364	23,159
Others	197,041	147,356	20,844	14,191
	1,117,930	1,180,286	137,461	129,354
Investment income			3,819	10,259
Other operating expenses			(23,077)	(5,981)
Profit from operations			118,203	133,632

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

	Sales revenue		Contribution to profit from operations	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States of America	664,420	769,404	77,667	73,421
Europe	267,834	244,204	35,961	40,922
Australia	36,547	42,905	4,891	6,759
South America	35,656	34,943	4,472	3,499
Others	113,473	88,830	14,470	4,753
	1,117,930	1,180,286	137,461	129,354
Investment income			3,819	10,259
Other operating expenses			(23,077)	(5,981)
Profit from operations			118,203	133,632

3. PROFIT FROM OPERATIONS

	2001	2000
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of intellectual property rights	5,861	5,981
Depreciation and amortisation of property, plant and equipment	23,724	21,413
Deficit arising on revaluation of land and buildings	5,254	—
Deficit arising on revaluation of investment properties	1,138	—
Impairment loss recognized in respect of intellectual property rights	8,476	—

4. TAXATION

The charge comprises:

	2001	2000
	HK\$'000	HK\$'000
Hong Kong Profits Tax		
Current year	2,454	1,371
Overprovision in prior years	(846)	(70)
	1,608	1,301
Other areas		
The People's Republic of China (the "PRC")	2,034	2,901
Other jurisdictions	885	1,300
	2,919	4,201
	4,527	5,502

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

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

5. DIVIDENDS

	2001	2000
	HK\$'000	HK\$'000
2000 final dividend of HK8 cents (1999 final dividend: HK6 cents with a scrip dividend option) per share	57,977	43,605
2001 interim dividend of HK2 cents (2000 interim dividend: HK3 cents) per share	14,494	21,807
	72,471	65,412

The 2001 final dividend of HK6 cents (2000 final dividend: HK8 cents) per share has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

6. EARNINGS PER SHARE

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

	2001	2000
Net profit for the year and earnings for the purposes of the basic and diluted earnings per share	HK\$105,945,000	HK\$128,363,000
Number of shares	724,731,891	726,700,338
Weighted average number of ordinary shares for the purposes of basic earnings per share	724,731,891	726,700,338
Effect of dilutive potential ordinary shares in respect of share options	101,774	560,459
Weighted average number of ordinary shares for the purposes of diluted earnings per share	724,833,665	727,260,797

7. TRANSFER TO/FROM RESERVES

	2001
	HK\$'000
Revaluation surplus on land and buildings	5,628
Revaluation deficit on investment properties	(262)
Exchange differences arising on translation of PRC/overseas operations	(3,122)

DIVIDEND

The Board recommends a final dividend of HK6 cents per share. Together with an interim dividend of HK2 cents per share, the total dividend of the year under review will amount to HK8 cents. The final dividend will be payable to the shareholders whose names appear in the register of members of the Company on 29th May, 2002. Dividend warrants are expected to be sent out on or before 12th June, 2002.

BUSINESS REVIEW

The Group reported a total turnover of approximately HK\$1,117.9 million for the year ended 31st December, 2001, a mild decrease of 5.3% over that of 2000. Profit attributable to shareholders decreased by 17.5% to HK\$105.9 million. Basic earnings per share amounted to HK14.62 cents.

Market Review

Confronting with the slackening global economy and the adverse business environment in 2001, the Group has nonetheless been able to maintain its leading position in major infant and pre-school product markets through quality enhancement and innovation.

The slowdown in the US market has resulted in a more cautious consumption habit and the importers have adopted a prudent inventory approach. Sales in the US market decreased by 13.6% over last year to approximately HK\$664.4 million. Affected by the 11th September incident, one of the largest infant product trade shows in Dallas in the US which is an excellent platform for the Group's ODM and OEM clients (mostly famous infant brands) to introduce their new products to the market each year, was postponed from October 2001 to May 2002, therefore upsetting the seasonal pattern of the industry. On top of that, clouded by many uncertainties and negative sentiments in the year, the market has become more volatile and hard to predict. Nevertheless, with its flexible product strategy and unparalleled quality, the Group continued to maintain its dominating share in the market.

Conforming with the Group's strategy of developing a well-balanced and diversified revenue base geographically, encouraging and even growth was seen in most lines of the Group's products in the European market with total turnover surging 9.7% to approximately HK\$267.8 million. During the year, equipped with a rich product offering, supreme quality as well as an effective marketing strategy, the Group actively captured the opportunities arising from the outsourcing trend. Our efforts were rewarded by the addition of two renowned European brands for infant products on our top five client portfolio. The Board believes that such a balanced global market mix will benefit the Group's long-term development by not only broadening its revenue sources but also minimising the risk of over-reliance on one single market.

Sales to Australia, South America and other countries reported steady growth with an aggregate turnover of HK\$185.7 million, representing an overall increase of 11.4%. Among these markets, the PRC market, though currently accounts for only 2.2% of the Group's total turnover, achieved brilliant performance and continued to expand at multiple rates, demonstrating a growing acceptance of the Group's products in the country.

Product Developments

Apart from constantly advancing the development of traditional products — strollers, soft goods, beds and playards accounting for 59.2%, 9.0% and 14.2% of total turnover respectively — the Group is always on the lookout for new growth potentials. The Group's nursery products, such as feeding bottles and nipples, have achieved great development with encouraging response received from clients. The Group will continue to explore this market sector striving to bring greater contribution to the Group in the future.

The Group's battery operated ride-on cars under its own brand are gaining wider acceptance in the PRC market and continued to report stable growth. However, its development in the US market failed to meet the Group's expectation, largely due to the slow acceptance of a new brand in the US and consumers' prudent spending pattern under the adverse economic condition. Having considered the costly nature

of this product and the economic low tide in the US market at present, the Group has adjusted its strategy and decided to sell the ride-on cars through agents but may consider to market its own brand when the economy revives.

Expanded Office and Production Plant

For the expansion of Zhongshan production site, the Group bought a piece of land of approximately 124,000 sq.m. for HK\$15 million. First phase of the construction work covered, amongst others, factory buildings with gross floor area of 14,100 sq.m., and was completed in early 2002 at a construction cost of approximately HK\$19.1 million. The new plant is now used for the production of battery-operated ride-on car and some of the Group's other products. The Board believes that the piece of land will be sufficient for the Group's expansion in the next five years.

In addition, the Group bought a piece of land adjacent to our existing Taiwan office through the acquisition of a then wholly-owned subsidiary of the Group for the expansion of the R&D division.

Investment

In July 2001, the Group exercised its right in a convertible note to convert the loan into a 52% equity interest in a major supplier of stroller wheels and parts. Such vertical integration further strengthened the Group's leading position by allowing it to achieve timely delivery with greater quality assurance.

As reviewed in the interim report, the Group obtained an 8% equity interest in a PRC company which was engaged in transgenic engineering for a consideration of HK\$21.1 million. The Group also invested HK\$53.2 million in a jointly controlled entity ("JCE") for project investment. Due to the change of the economic environment, the JCE has not commenced business and remains inactive. In view of such, the JCE decided to return substantial portion of the injected sums to the Group before the balance sheet date.

Employees and Remuneration Policy

As at 31st December, 2001, the Group employed approximately 6,900 staff members including about 6,600 working in the PRC production sites and 140 in the R&D department. The Group remunerates its employees by reference to the prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its full time staff.

Liquidity and Financial Resources

The Group maintained a sound financial position and solid balance sheet. As at 31st December, 2001, the Group had total net cash and bank balances of HK\$96.9 million, a majority of which were in Hong Kong and US dollars. Bank borrowings were maintained at a low level, amounting to HK\$4.4 million, with gearing ratio (expressed as total bank borrowings to shareholders' fund) maintained at 0.01 (2000: 0.01). The Board are in the opinion that the Group has sufficient resources and working capital to meet its foreseeable capital expenditure.

As at 31st December, 2001, the Group had net current assets of HK\$185.8 million and a current ratio of 1.7. Stock turnover was 30.6 days.

As at 31st December, 2001, the net proceeds of approximately HK\$161 million raised from the Group's initial public offerings in 1998 were fully utilized as scheduled except that a balance of HK\$13 million, which was budgeted for the establishment of sales offices in the US for the marketing of battery-operated ride-on cars under the Group's own brand, remained unused. Due to the slow development progress and the unfavorable US economy, the Board has decided to set aside the said balance for working capital purpose.

FUTURE PLANS & PROSPECTS

With recent signs of recovery in the US economy and the pickup of the country's consumer confidence since mid 2001, the Board expects a better business environment in the second half 2002. The Board is also optimistic that the postponed Dallas trade show to be held in May 2002 will be able to bring new business opportunities to the Group. The Group is aware of the many uncertainties ahead and will remain cautious about and resilient to the changing market situation.

In the coming year, the Group will continue to optimise its diversification in revenue sources geographically. The Group believes that the increasing outsourcing trend for the manufacture of infant and pre-school products in the European market will be the key growth driver in next two years. To pursue more opportunities in this market, the Group will further strengthen its sales and marketing activities as well as fully utilise its R&D capabilities to innovate and perfect its products and designs.

While the globe is facing a downturn, China's economy is soaring to new heights. The Group sees a huge growth potential for infant products in China. To capture the affluence and growing consumption power of the Chinese population, the Group will devote more efforts in opening up the market by enriching its product offering and expanding its distribution network in China.

In a nutshell, our commitment to quality, our ability to innovate, our determination to diversify our income base, together with a sound financial position will continue to lead us to thrive. With the improving business environment, the Board is confident that the Group will be able to achieve a better development and enlarge our shareholders' value in the coming year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 27th to 29th May, 2002, 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, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, not later than 4:00 p.m. on 24th May, 2002.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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\$	
January 2001	1,550,000	0.94	0.91	1,428
February 2001	650,000	0.97	0.84	589
October 2001	220,000	0.88	0.87	192
November 2001	570,000	0.88	0.87	498
December 2001	1,112,000	0.89	0.79	928
	<u>4,102,000</u>			<u>3,635</u>

SHARE OPTION SCHEME

At the forthcoming Annual General Meeting, an ordinary resolution, amongst other things, will be proposed to the shareholders of the Company to approve and adopt a new share option scheme and to terminate the existing share option scheme adopted by the Company on 2nd December, 1998 ("Existing Share Option Scheme"). A circular will be issued by the Company to its shareholders setting out details in respect of the proposed adoption of the new share option scheme and termination of the Existing Share Option Scheme as soon as possible.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE WEBSITE

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

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our customers worldwide for their trust and support towards our products. May I also take this opportunity to express my heartiest thanks to our shareholders for their support and our staff for their hard work. We will continue to dedicate our efforts towards the long-term development of the Group.

By Order of the Board
Huang Ying Yuan
Chairman

Hong Kong, 16th April, 2002

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Lerado Group (Holding) Company Limited (the "Company") will be held at Chater Room III, Function Room Level (B1), The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on Thursday, 30th May, 2002 at 3:00 p.m. to transact the following ordinary business:

- to receive and adopt the audited financial statements and the reports of the directors and auditors for the year ended 31st December, 2001;
- to declare a final dividend for the year ended 31st December, 2001;
- to re-elect directors of the Company;
- to authorize the board of directors to fix the remuneration of the Directors for the year ending 31st December, 2002; and
- to appoint the auditors and authorize the board of directors to fix their remuneration.

To consider as special business and, if thought fit, pass with or without amendments, the following resolutions each as an Ordinary Resolution:

- 6(A). "THAT:
- subject to sub-paragraph (c) of this Resolution, the exercise by the directors of the Company (the "Directors") during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares of the Company and to make or grant offers, agreements and options, including bonds, warrants and debentures convertible into shares of the Company, which might require the exercise of such powers be and is hereby generally and unconditionally approved;
 - the approval in sub-paragraph (a) of this Resolution shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options, including bonds, warrants and debentures convertible into shares of the Company, which might require the exercise of such powers after the end of the Relevant Period;
 - the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in sub-paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as defined below), (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company, (iii) the exercise of options under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of the cash payment for a dividend on shares of the Company in accordance with the By-laws of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution and the said approval shall be limited accordingly; and
 - for the purposes of this Resolution: "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
 - the conclusion of the next annual general meeting of the Company;
 - the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
 - the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.

"Rights Issue" means an offer of shares or other securities of the Company open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such

shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside the Hong Kong Special Administrative Region of the People's Republic of China)."

- 6(B). "THAT:
- subject to sub-paragraph (b) of this Resolution, the exercise by the directors of the Company (the "Directors") during the Relevant Period (as defined below) of all the powers of the Company to repurchase shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other exchange on which the shares of the Company may be listed and recognized for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchases (the "Recognized Stock Exchange") subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time or that of any other Recognized Stock Exchange, be and is hereby generally and unconditionally approved;
 - the aggregate nominal amount of the shares of the Company which may be purchased pursuant to the approval in sub-paragraph (a) of this Resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of this Resolution and the said approval shall be limited accordingly; and
 - for the purposes of this Resolution: "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
 - the conclusion of the next annual general meeting of the Company;
 - the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
 - the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting."
- 6(C). "THAT conditional upon Resolution 6(A) and Resolution 6(B) set out in the notice convening this meeting of which this Resolution forms part being passed, the aggregate nominal amount of the shares of the Company which are repurchased by the Company after the date of the passing of this Resolution (up to a maximum of 10 per cent. of the aggregate nominal amount of the share capital of the Company as stated in Resolution 6(B) set out in the notice convening this meeting of which this resolution forms part) shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to Resolution 6(A) set out in the notice convening this meeting of which this resolution forms part."
7. "THAT subject to and conditional upon the Listing Committee of The Stock Exchange granting listing of, and permission to deal in, the shares of HK\$0.10 each in the capital of the Company ("Shares") to be issued pursuant to the exercise of options which may be granted under the new share option scheme, a copy of which is produced to this meeting and signed by the chairman of this meeting for the purpose of identification) ("New Scheme"),
- the operation of the existing share option scheme ("Existing Scheme") adopted by the Company by ordinary resolution of its shareholders on 2nd December, 1998 be terminated and that no further options will be granted under the Existing Scheme but in all other respects the provisions of the Existing Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may

be required in accordance with the provisions of the Existing Scheme and options granted prior to such termination shall continue to be valid the exercisable in accordance with the Existing Scheme; and

- (b) the rules of the New Scheme be and are hereby approved and adopted and that the directors of the Company be and they are hereby authorized to:
- to administer the New Scheme under which the options will be granted to eligible participants under the New Scheme to subscribe for Shares;
 - to modify and/or amend the rules of the New Scheme from time to time subject to the provisions of such rules;
 - to issue and allot from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options under the New Scheme; and
 - to make application at the appropriate time to the Stock Exchange, and any other stock exchange upon which the Shares may for the time being be listed, for listing of, and permission to deal in, the Shares which may thereafter from time to time issued and allotted pursuant to the exercise of the options under the New Scheme."

By Order of the Board
Leung Man Fai
Company Secretary

Hong Kong, 16th April, 2002

Head office and principal place of business in Hong Kong:
Unit 18, 17th Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Notes:

- Any member entitled to attend and vote at the meeting shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
- The form of proxy shall be executed under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorized to sign the same.
- In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be deposited at the Company's branch share registrar in Hong Kong, Secretaries Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjourned meeting.
- Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.
- Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

* for identification purposes only